KWAZULU-NATAL FILM COMMISSION
SOUTH AFRICA

· OUR KINGDOM IS YOUR STAGE ·

ANNUAL REPORT 2022|23

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ANNUAL REPORT
2022|23

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OUR STORIES, OUR HERITAGE
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PART A

GENERAL INFORMATION

PUBLIC ENTITY'S GENERAL INFORMATION

REGISTERED NAME:
KWAZULU-NATAL FILM COMMISSION

REGISTRATION NUMBER:
M3/15/32 (834/15)

PHYSICAL ADDRESS:
115 Musgrave Centre, 10th Floor, Durban

POSTAL ADDRESS:
P. O. Box 5274
Durban
4000

TELEPHONE NUMBER/S:
0027 31 003 9000

EMAIL ADDRESS:
info@KZNFilm.co.za

WEBSITE ADDRESS:
www.KZNFilm.co.za

List Of Abbreviations/Acronyms

AFS	Annual Financial Statements
AGSA	Auditor General of South Africa
BBBEE	Broad Based Black Economic Empowerment
CEO	Chief Executive Officer
CFO	Chief Financial Officer
COO	Chief Operating Officer
COVID-19	Coronavirus Disease 19
EXCO	Executive Committee
GRAP	General Recognised Accounting Practice
IP	Intellectual Property
PFMA	Public Finance Management Act, Act 1 of 1999
KZNFilm (KZNFC)	KwaZulu - Natal Film Commission
MEC	Member of Executive Council
MPL	Member of Provincial Legislature
MTEF	Medium Term Expenditure Framework
NFVF	National Film and Video Foundation
PFMA	Public Finance Management Act, Act 1 of 1999
PWD	People Living With Disabilities
SMME	Small Medium And Micro Enterprise
SCM	Supply Chain Management
TR	Treasury Regulations
TV	Television
QSE	Qualifying Small Enterprises

3. FOREWORD BY THE MEC,

for Economic Development, Tourism and Environmental Affairs

The financial year 2022/23, saw a gradual recovery of the industry from the Covid 19- pandemic that brought everything to a temporary halt. I was encouraged by the interventions that KwaZulu-Natal Film Commission implemented during this time to ensure that our film industry receive the necessary support. In 2022/23 the entity had an adjusted budget of R152 242 191. With the limited resources available, key set goals were achieved by the entity.

The film industry is key to job creation, and it is a critical cog as an economic catalyst for economic development. The province is looking at supporting local productions and ensuring that our culture, history etc, become selling points in these productions. The entity has begun to embrace this approach and we are hopeful that going forward this will bear fruits. In my interaction with the Board, we agreed that the entity must focus on the following areas in the coming years:-

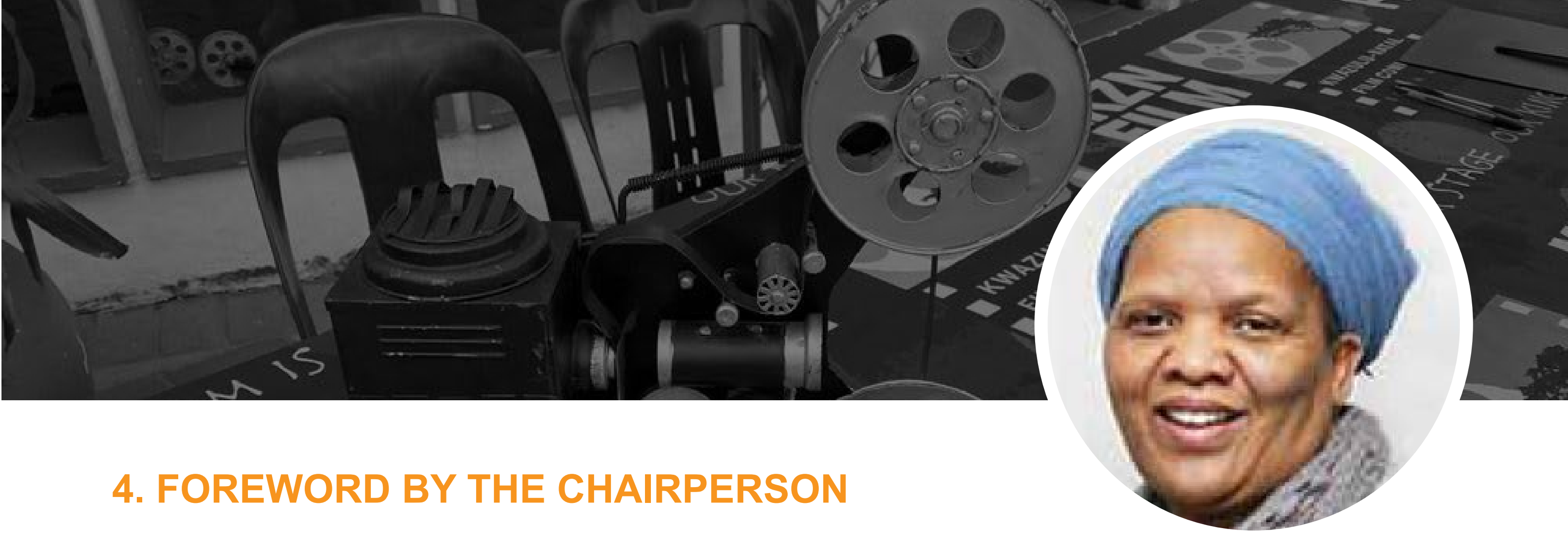
- Training of scarce skills to ensure that the local filmmakers are equipped with skills that will make them compete in the global village;
- Training initiatives focusing on the use and participation in the new streaming platforms such as YOUTUBE, NETFLIX and SHOWMAX;
- Funding of local filmmakers' projects that promote local culture, heritage and language;
- Application of technological tools to improve efficiencies and to achieve cost savings within the public fiscus.

In 2022/23 there were a number of training interventions that I am hopeful would make a meaningful impact on the local industry landscape. A number of partners (MICSETA, local tertiary institutions) all came on board to ensure that the training/interventions were successfully executed.

Also important to mention is that the merger process between KZNFC and TKZN is ongoing. Currently, the process is in the Bill consultation phase. A lot of work has been done and it is envisaged that the process will be completed in the 2023/24 financial year.

Lastly, I would like to take the opportunity to express my sincere gratitude to the Board led by Ms N. Malange and to the staff of KZNFC for their sterling work during the financial year. Not leaving out all our stakeholders who contributed to the success of this entity.

Mr S. Duma (MPL)
MEC: Department of Economic Development, Tourism and Environmental Affairs
Date: 30 May 2023



4. FOREWORD BY THE CHAIRPERSON

The 2022/23 financial year was a much more promising year for the film industry after the 2020/21 and 2021/22 disastrous years when the Covid-19 pandemic was at its peak. Several recovery programmes were initiated by the entity to support the local film sector. In its recovery programmes, the KwaZulu-Natal Film Commission mainly focused on assisting filmmakers by funding their projects, providing skills development opportunities and supporting filmmakers to attend markets and festivals. In the implementation of the programme of action, the Board noted the challenge of inadequate resources, particularly funding. However, notwithstanding all these existing challenges, the entity performed relatively well during the financial year. Eleven (11) out of its twelve (12) Annual Performance targets were achieved. According to the National Film and Video Foundation (NFVF) economic baseline study in 2021, KZN has increased its film sector market share from 9% to 12%.

The Board held its Strategic Planning in October 2022. This session provided the Board with an opportunity to conduct a mid-term review of the five-year strategic plan and to refocus its programmes in order to achieve the five-year strategic outcomes. There were a number of areas of focus that were identified as key to the entity's activities and programmes for the 2023/24 financial year. The following are some of the areas of focus that were identified.

a. A review of the film fund policy to support the transformation agenda of the entity.
b. Ownership of projects through Intellectual Property (IP) by filmmakers.
c. Focus on more funding for Made for TV projects.
d. Improved stakeholder management.
e. Increase the local audience development.
f. Creating a strong KZNFilm brand.
g. Accreditation of training provided by KZNFilm.
h. Facilitating the establishment of a KZN based service company.
i. Facilitating the establishment of Film studios in KZN.

The finalisation of the major process with Tourism KZN is expected to consolidate the services offered by the two entities and ensure that the residents and stakeholders at large receive more enhanced services, characterised by effective and efficient use of resources at the disposal of the new entity.

The year 2022/23 ended on a sad note for KZNFilm as a result of the untimely passing away of the Deputy Chairperson Mr John Wills. This was a great loss to the family and to the KZN film industry at large. May his soul rest in eternal peace.

Lastly, I would like to take this opportunity on behalf of the KZNFilm Board to extend our gratitude to the honourable MEC for Economic Development, Tourism and Environmental Affairs, Hon.S.Duma for his continued support and drive in ensuring that all emerging filmmakers are supported through KZNFilm. I would like to also convey a message of appreciation to the KZNFilm executive and staff for their hardwork in ensuring that the entity delivers on it's mandate.

Nise Malange
Chairperson of the Board
Date: 30 May 2023

5.CHIEF EXECUTIVE OFFICER'S OVERVIEW

During the financial year the entity spent R118 781 166 against an adjusted budget of R152 242 191. This amounts to 75% spending against the 2022/23 adjusted budget. An improvement of 14% from the previous financial year.

The entity had a total of twelve (12) Annual Performance Indicators for the 2022/23 financial year. The entity was able to achieve eleven (11) out of the twelve (12) indicators, translating to a 91.6% achievement. An indicator on co-productions within the African continent was not achieved due to delays in raising funding by filmmakers. The entity also encountered an emergence of *"business forums"* who were demanding opportunities from the entity. The entity with support from the shareholder has been engaging with these business forums to find workable solutions. To ensure that filmmakers in the province, particularly in the rural area benefit.

The entity has made progress in supporting vulnerable groups. Some of the initiatives undertaken by the entity includes concluding several Memorandums of Understanding (MOUs) and partnership agreements with some of the institutions that represents the interest of vulnerable groups in the province such as eThekwini Disabilities Chamber and others. Several information sharing sessions were also held with organisations representing the youth, women and other interests which was aimed at increasing participation in KZNFilm programmes.

In 2022/23 financial year, the entity amended its SCM Annual Performance target. A simpler, measurable, and achievable indicator aligned to the Provincial indicator on procurement spend was developed. The new indicator focused on the procurement spent on the designated groups and its impact on black business enterprises in a wholistically manner.

The SCM sub-indicators were 70% for women, 20% for youth, 2% for people with disabilities, 2% for military veterans and 2% for corporatives. However, challenges still exist in that participation by women, military veterans and coproratives in the procurement of goods and services is still very low. SCM will focus in inviting mostly designated groups to improve the spend in these groups. In the coming financial year a supplier day would be held specifically for the PWDs

The Industry Skills Development (ISD) business unit facilitated a number of skills interventions and trainings during the financial year. In partnership with MICTSETA, the ISD rolled out NQF Level 4 and 5 programmes to over one hundred (100) aspiring young filmmakers under iLembe, uMgungundlovu and uMkhanyakude District Municipalities. These programmes were key in providing basic information about the industry. The schools programme was conducted in five (5), schools one of which was a school for people with disabilities called Newton Prevocational school based in Pietermaritzburg. Based on the interest shown by the learners from the school, more programmes focusing on people living with disabilities will be undertaken by the entity. KZNFilm has also made great strides in attracting and encouraging students from rural communities to enrol in scarce skills courses. Six (6) students completed a drone course and a number of students were selected to enrol in animation internship programmes. There were twenty-four (24) students who were awarded bursaries during the financial year.

During the period under review the entity has a staff compliment of fifty-two (52) employees. To address and ease challenges due to human resource constraints, IT systems have been enhanced in HR, Finance and SCM. An online funding system has been developed and is expected to be launched in the 2023/24 financial year. This will improve and simply funding and application processes.

Lastly, I would like to take this opportunity to thank all KZNFilm team for all their efforts, hard work and dedication throughout the year. We've come through a year that was filled with both challenges and victories and it's reassuring that we can count on all stakeholders and filmmakers regardless of what faces us. My gratitude goes to all KZNFilm family for their continued support, leadership and guidance.

Mr V. Senna
A/ Chief Executive Officer
KwaZulu-Natal Film Commission
Date: 30 May 2023

6. STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY FOR THE ANNUAL REPORT

To the best of my knowledge and belief, I confirm the following:

- All information and amounts disclosed in the annual report are consistent with the annual financial statements audited by Auditor-General.
- The annual report is complete, accurate and free from any omissions.
- The annual report has been prepared in accordance with the guidelines on the annual report as issued by National Treasury.
- The Annual Financial Statements (Part F) have been prepared in accordance with the Generally Recognised Accounting Practice (GRAP) standards applicable to the public entity.
- The Accounting Authority is responsible for the preparation of the annual financial statements and for the judgements made in this information.
- The Accounting Authority is responsible for establishing and implementing a system of internal control has been designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the annual financial statements.
- The external auditors are engaged to express an independent opinion on the annual financial statements.
- In our opinion, the annual report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the public entity for the financial year ended 31 March 2023.

Yours faithfully

Mr V. Senna
A/ Chief Executive Officer
KwaZulu-Natal Film Commission
Date: 30 May 2023

Nise Malange
Chairperson of the Board
Date: 30 May 2023

7. STRATEGIC OVERVIEW

VISION

A globally competitive, transformed and sustainable audio-visual industry in KwaZulu-Natal

MISSION

To be a catalyst for transformation, job creation and sustainability through funding, Industry Skills Development and the promotion of KwaZulu-Natal.

VALUES

The entity values are stated as follows:

- **Integrity**
- **Collaboration**
- **Ubuntu**
- **Accountability**
- **Intrapreneurial**

8. LEGISLATIVE AND OTHER MANDATES

The KZNFilm is mandated through the powers and responsibilities delegated by the Premier to the respective Member of the Executive Council in relation to film. In KZN, this responsibility falls within the Economic Development, Tourism and Environmental Affairs portfolio.

At a national level, the primary legislative mandate of the National Department of Arts and Culture (under which portfolio this sector falls) comes from the Constitution of the Republic of South Africa, which states that: Section 16 (1) "Everyone has the right to freedom of expression, which includes:

- Freedom of press and other media;
- Freedom to receive or impart information or ideas;
- Freedom of artistic creativity; and
- Academic freedom and freedom of scientific research".

Section 30 "Everyone has the right to use language and to participate in the cultural life of their choice, but no one exercising these rights may do so in manners inconsistent with any provision of the Bill of Rights"

Legislative Mandate

The KZNFilm derives its mandate from the KwaZulu-Natal Film Commission Act No. 3 of 2010 which established the KZNFilm and has as part of its objectives:

a) to promote and market the Province as a global destination of choice for film production;
b) to develop, promote and market, locally, nationally and internationally, the film industry in the Province;
c) to facilitate investment in the film industry in the Province;
d) to provide and encourage the provision of opportunities for persons, especially from disadvantaged communities, to enter and participate in the film industry in the Province;
e) to address historical imbalances in the infrastructure and in the distribution of skills and resources in the film industry in the Province; and
f) to contribute to an enabling environment for job creation in the film industry in the Province.

The entity is required to comply with the following as an entity of government: -

- The Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996)
- Public Finance Management Act (Act No. 1 of 1999, as amended)
- National Treasury Regulations 2001
- Promotion of Access to Information Act (Act No. 2 of 2000)
- Preferential Procurement Policy Framework Act (Act No. 5 of 2000)

Policy mandates

The MEC for the Department of Economic Development, Tourism and Environmental Affairs is responsible for defining the policy directives of the entity. The Board is responsible for approving the operational policies of the entity dealing with the financial, human resources and operational matters.

9. ORGANISATIONAL STRUCTURE

KWAZULU-NATAL FILM COMMISSION
SOUTH AFRICA
• OUR KINGDOM IS YOUR STAGE •

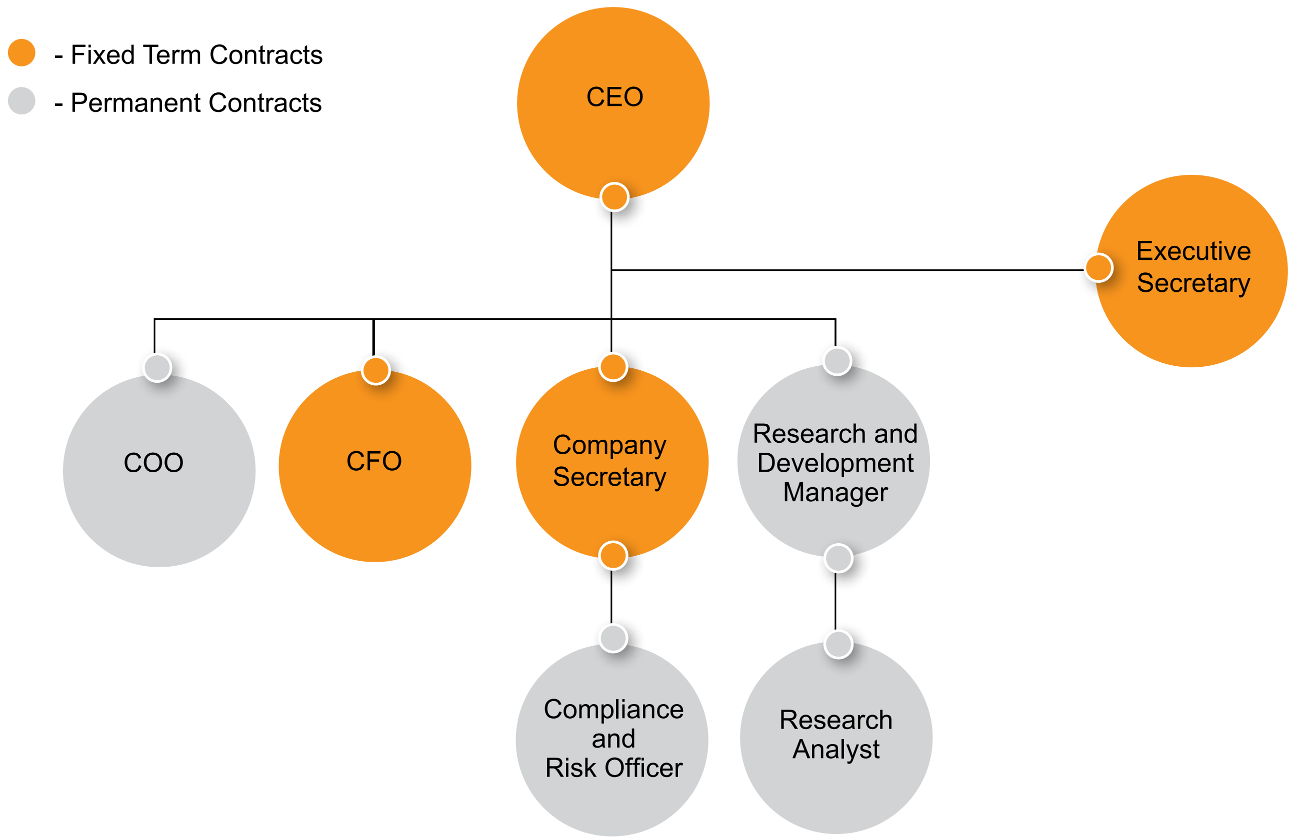
BOARD MEMBERS

ACTING CEO
Mr Victor Senna

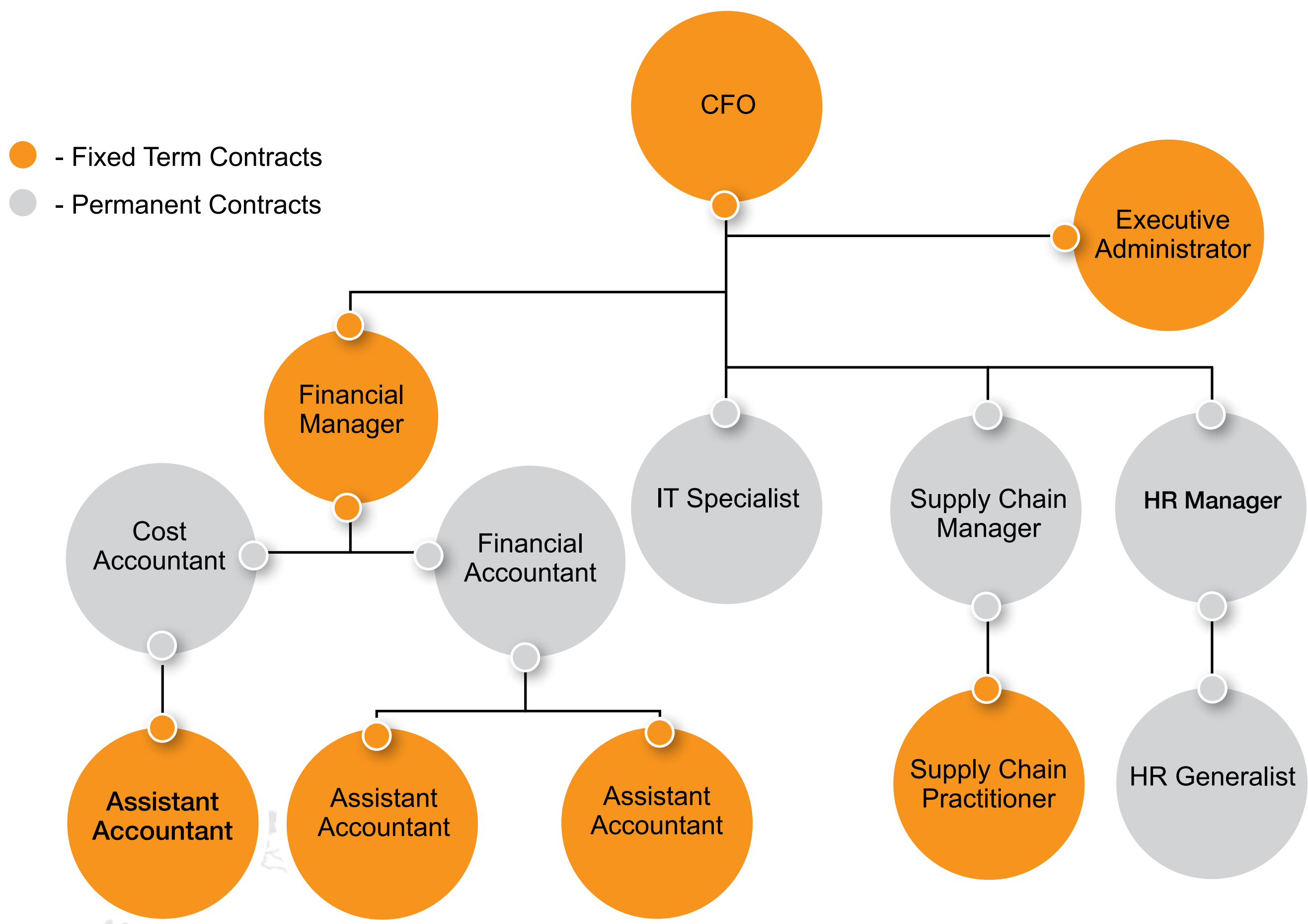
COO
Ms Jackie Motsepe

ACTING CFO
Ms Nonhlanhla Thanjekwayo

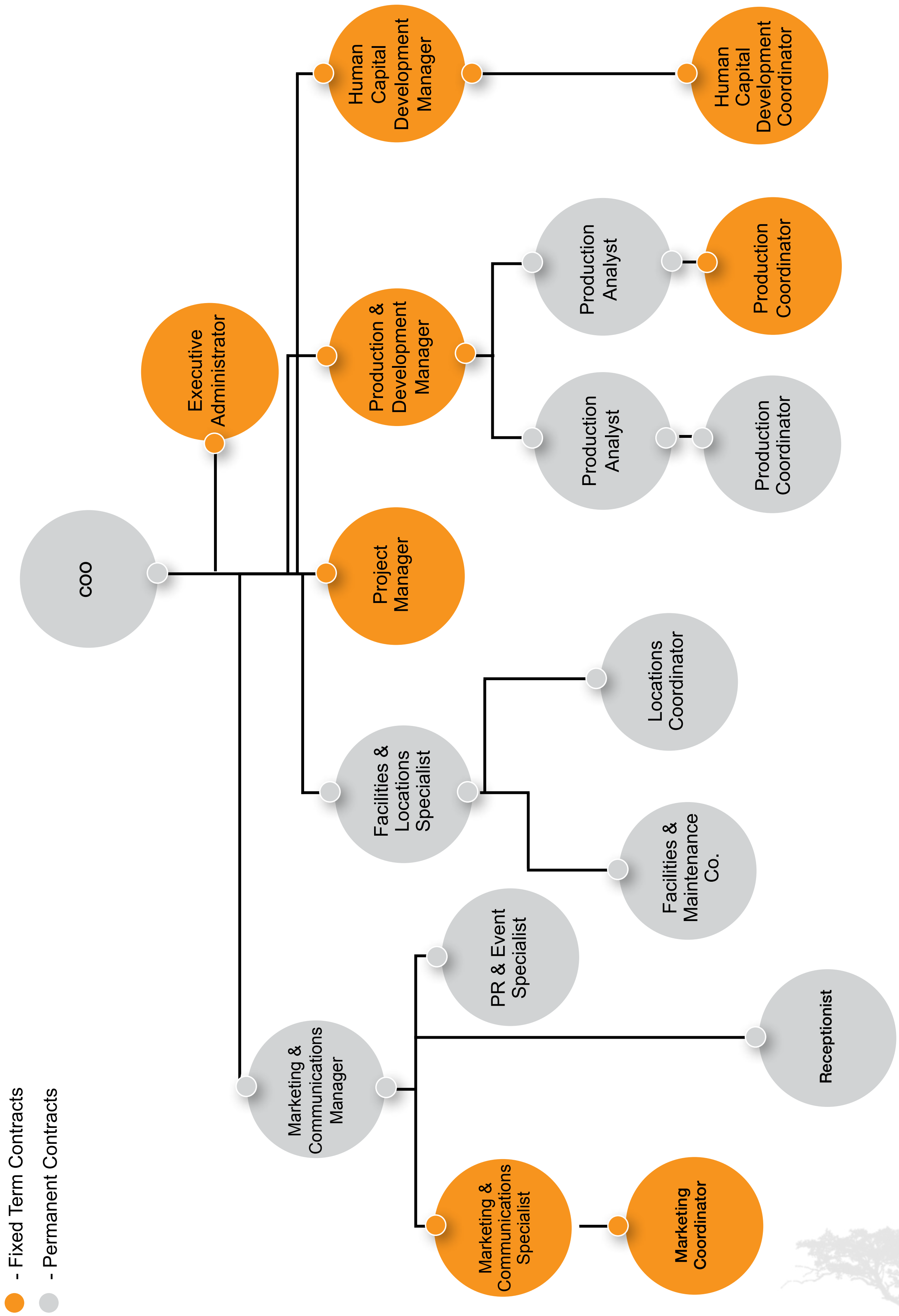
OFFICE OF THE CEO ORGANOGRAM



FINANCE AND ADMINISTRATION



MARKETING AND INDUSTRY DEVELOPMENT



PART B

PERFORMANCE INFORMATION

1. STATEMENT OF RESPONSIBILITY FOR PERFORMANCE INFORMATION FOR THE YEAR ENDED 31 MARCH 2023

As the Acting Chief Executive Officer of the KZNFilm, I am responsible for the preparation of the Public Entity's performance information and the judgements made in this information. I am responsible for establishing and implementing a system of internal control designed to provide reasonable assurance as to the integrity and reliability of performance information.

In my opinion, the performance information fairly reflects the actual achievements against planned objectives, indicators, and targets as per the public entity's Strategic and Annual Performance Plan for the financial year ended 31 March 2023.

The KZNFilm performance information for the year ended 31 March 2023 has been examined by the external auditors and their report is presented on page **25.** The performance information of the entity set out on pages **25** to page **42** was approved by the Council.

Mr V. Senna
Acting Chief Executive Officer
KwaZulu Natal Film Commission
31 March 2023

2. AUDITOR'S REPORT: PREDETERMINED OBJECTIVES

The AGSA/auditor currently performs the necessary audit procedures on the performance information to provide findings engagement in the form of an audit findings. The material findings are included in the audit report under the heading "Report on the annual performance report".

Refer to page **69** of the Report of the Auditors Report, published as Part F: Financial Information.

3. OVERVIEW OF PERFORMANCE

3.1. Service Delivery Environment

The Covid-19 pandemic has had a negative impact on the South African film industry, as it has with many other sectors worldwide. The KZN film sector in particular has been hit hard by floods, social unrest in 2021 and loadshedding. These combined factors have led to a significant downturn in the industry. The entity has implemented various initiatives throughout the financial year to try to assist the local industry to find its feet. Key among the interventions has been a concerted efforts to fund the emerging filmmakers. This is to ensure that the previously disadvantaged filmmakers are able to enter into the industry and participate on equal basis.

Throughout the year, the organization intensified its Industry Skills and Development programs. These initiatives were coupled with audience development efforts aimed at ensuring that local content is appreciated and consumed by local communities, ultimately finding the right audience. The entity is aware of emerging challenges in terms of new platforms and market disruptions that are spearheaded by technology. It is therefore imperative that local filmmakers continuously receive trainings so that they can be competitive in the market space.

During the financial year, one notable challenge was dealing with disgruntled stakeholders who were unclear about the entity's funding processes. Throughout the year, meetings were held with stakeholders to improve the situation. To increase understanding among stakeholders, the organization has implemented engagement programs to explain its operations, programs and to promote collaboration.

It is worth noting that foreign productions currently dominate the box-office, which negatively affects local filmmakers who do not have the same access to a platform that generates higher revenues. However, local productions are thriving in the television and markets/festivals industries. KZNFilm has recognized this challenge and is working to enhance audience development initiatives. This is a national issue that even organizations like NFVF are struggling with.

3.2 Organisational environment

The capacity of the entity

The KZNFilm comprises three divisions which are: -

- The Office of the Chief Executive Officer;
- Finance and Administration; and
- Marketing and Industry Development

OFFICE OF THE CEO

BACK ROW (Left to Right): Philani Dladla, Keshnee Williams, Thobeka Mthembu, Pretty Mazibuko, Nomathemba Ngcobo, Casey Whitby, Linda Cebekhulu, *(Not in the picture)* Sandile Zuma

FRONT ROW (Left to right): Mphiwa Xulu, Victor Senna, Dr Ngqabutho Bhebhe

Office of the Chief Executive Officer

The office of the CEO comprises three (3) sub business units: Human Resource Management, Research and Board Support.

Finance and Administration

The Finance and Administration Programme comprises two (3) sub business units: Supply Chain Management, IT and Finance.

FINANCE AND ADMINISTRATION

BACK ROW (Left to Right): Sanvir Govender and Khuthala Njapha

MIDDLE ROW (Left to right): Sboniso Gama, Nqobile Shozi, Nhlakanipho Sosibo, Thembisile Madonsela, Mthobisi Mncube, Lethukuthula Nyawuza, Siphelele Mkhwanazi, Thandeka Hlengwa.

FRONT ROW (Left to right): Bukelani Dlezi, Thandeka Dube, Nonhlanhla Thanjekwayo, Olivia Manjate, Lwazi Nodada.

Marketing and Industry Development

Marketing and Industry development programme is core to the service delivery mandate of the entity. The programme is responsible for among others, managing KZNFilm Film fund, supporting filmmakers in the province, Industry skills development and marketing and distribution support. It is critical that the programme is properly staffed as it provides direct service to filmmakers and other stakeholders. The programme has four (4) sub business units namely a Marketing and Communication, Location and Facilities, Production and Development and Industry.

MARKETING AND COMMUNICATION

Front Row (Left to Right): Pretty Mazibuko, Amanda Mathe, Ayanda Mthiyane, Nkululeko Mkhize, *(Not in the picture)* **Mu Ngcolosi.**

LOCATIONS AND FACILITIES

Front Row (Left to Right): Sindisiwe Ngcobo, Sphesihle Dlamini, Sithembiso Gigaba.

PRODUCTION AND DEVELOPMENT

Back Row (Left to Right): Qiniso Mngoma, Nhlonipho Ndlovu, Thobile Sithole, Marchez Sullaphen, Samkelisiwe Sibiya, Okuhle Ngumbela, Dimpho Ndlovu, Siyabonga Sibiya.

Front Row (Left to Right): Mthobisi Ncube, Sthembile Mhlongo, Maishe Mosala, Wandisiwe Mzobe, *(Not in the picture)* **Jacqueline Rainers and Ziphozakhe Hlobo.**

INDUSTRY AND SKILLS DEVELOPMENT

Front Row (Left to Right): Winile Zulu, Zamabuya Msibi, Mbali Makhoba, Silindile Mthimkhulu.

3.3. Key policy developments and legislative changes

The public entity did not undergo any major changes due to policies or legislation changes during the financial year. However, a new legislation (Bill) that is meant to merge KwaZulu-Natal Film Commission and Tourism KwaZulu-Natal was drafted .

3.4. Progress towards achievement of institutional Impacts and Outcomes

The entity is on track to achieve its 5 year Strategic Outcomes as highlighted in its 2019-24 Strategic Plan. However, the following Performance Indicators were amended in 2021/22 and 2022/23 financial years respectively:-

a) Number of international productions shooting in KZN;
This performance indicator was amended in the 2021/22 financial year due to the restrictions in traveling as a result of the Covid -19 pandemic.

b) Number of co-productions within the African Continent;
This performance indicator was amended in the 2021/22 financial year due to the restrictions in traveling as a result of the Covid -19 pandemic.

c) Percentage of procurement spend on black owned enterprises;

This performance indicator was amended in the second quarter of the 2022/23 financial year in order to align the entity's measurement of the procurement spend on black owned enterprises with the Provincial indicator measuring the same.

A detailed Performance Information of the entity in the 2022/23 financial year is outlined in Part B of the report.

4. INSTITUTIONAL PROGRAMME PERFORMANCE INFORMATION

4.1. PROGRAMME 1: CHIEF EXECUTIVE OFFICER'S OFFICE

Programme Purpose

The main purpose of the Chief Executive Officers' Office is to provide strategic guidance through delivering on the strategic objectives whilst ensuring compliance within the legislated environment.

Functions co-ordinated under this programme include:

- Development of strategies, policies and standards of performance
- Development of statutory and ad hoc reporting on the performance of the organisation
- Monitoring performance and evaluating the outcomes of the organisation
- Driving the programme of Governance, Risk and Compliance through the Organisational Values, Culture and Leadership
- Policy and legislation advocacy, drafting and implementing
- Stakeholder development, networking, and engagement to enhance relationships, encourage local production and to ensure a clear understanding of the mandate and services of the KZNFC
- Negotiating and entering into partnerships with various stakeholders to enhance the competitiveness of KZN through film-friendly programmes and to secure additional funding to further enhance and increase our outcomes
- Overseeing the effectiveness of the functions and operations of the Board and its committees to enhance its governance and oversight
- Oversee the internal audit function and risk management of the organisation
- Conducting research designed to inform future programmes of the organisation
- Managing the Corporate Social Responsibility programme for the organisation

Outcomes, Outputs, Output Indicators, Targets and Actual Achievement

Outcome: Reliable data that will assist the sector to predict future trends					
Performance Indicator	Actual Achievement	Planned Target	Actual Achievement	Deviations	Comments
	2021/22	2022/23	2022/23		
Number of Research Papers	8	6	7	+1	The over achievement was due to additional internal resource

Research Projects

The Business Unit finalised seven (7) research projects during the financial year of which two of them were outsourced. The five research projects that were done internally mainly focused on the assessment of the impact of different programmes that the entity has funded or supported during the financial year.

The research and surveys that the Business Unit conducts are key in informing the strategic direction and the plans for the entity. On quarterly basis the recommendations of the finalised studies were tracked and reported on by the Managers who were assigned to implement the recommendations.

Monitoring and Evaluation

There were four (4) planned Monitoring and Evaluation assessments planned for the financial year. Seven (7) assessments were concluded and finalised. This was due to the need to assess the impact of our different programmes. The seven finalised assessments were the following:

- the Schools Programme
- the evaluation of targets against the strategic plan
- the assessment of the film fund applications
- analysis of turnaround times for film fund applications and business process
- analysis for the turnaround time for market and festival applications and business process
- the evaluation of the scriptwriting programme
- the demographic assessment for funded project

Risks Management

The Strategic and Operational Risk registers were prepared and updated quarterly. On quarterly basis the reports were presented to the Audit and Risk Committee and to the Board for approval and appraisal. On quarterly basis Manco and Exco reviewed the risks, to identify the emerging risks that could be added to the registers for monitoring.

Socio-Economic Development (SED)

In the 2022/23 fiscal year, a Social Economic Development project was selected and assisted. A sum of R220 000 was allocated to aid a women-led community project in Mayville focused on poultry and agricultural production. The Mayville group efficiently utilized the funds within the fiscal year by purchasing equipment and agricultural inputs for the project. This project helped create job opportunities for a vulnerable group and supported the development of a local business initiative. The project is 100% owned by black women from the community with 60% women and 10% people living with disabilities.

4.2 PROGRAMME 2: FINANCE AND ADMINISTRATION

Programme Purpose:

The effective administration of the public entity is essential to ensure efficient service delivery. The Finance and Administration business unit provides the required services such as financial management, human resource development, information technology and corporate services.

Functions co-ordinated under this programme include:

- Financial management and cost accounting
- Supply Chain Management
- Human resources management
- Information communication and technology management
- Business facilitation to attract investments and fundraising.

Outcomes, Outputs, Output Indicators, Targets and Actual Achievement

Outcome: Effective administrative business processes that inculcate good governance, risk management and compliance					
Performance Indicator	Actual Achievement	Planned Target	Actual Achievement	Deviations	Comments
	2021/22	2022/23	2022/23		
Opinion expressed in the AG report	Unqualified audit opinion with no material finding	Unqualified audit opinion with no material findings	Unqualified audit opinion with no material findings	-	The planned target was achieved.

Outcome: Increased participation of the designated groups in the film sector					
Performance Indicator	Actual Achievement	Planned Target	Actual Achievement	Deviations	Comments
	2021/22	2022/23	2022/23		
Percentage of procurement spend on black owned enterprises	114%	72% (New calc)	76%	+4%	This indicator was adjusted in the re-tabled APP to 72% Blacks. SCM continues to invite from designated groups as much as possible depending on the commodities being procured. With the changes in the Regulations service providers do not always claim for specific goals. SCM continues to request for proof to claim for specific goals where possible

Opinion expressed in the AG report

The KZNFilm achieved an unqualified audit opinion with no material findings for the 2022/23 financial year. An indication that the entity continues to ensure that it complies to the governance systems, financial management systems and risk frameworks that govern public entities.

Percentage of procurement spend on black owned enterprises

This indicator was amended through the re-tabling of the Annual Performance Plan in August 2022. The new indicator of 72% was to measure the percentage of the entity's procurement spent on black owned enterprises. The sub-indicators were 70% for women, 20% for Youth, 2% for People With Disabilities, 2% for Military Veterans and 2% for Co-Operatives. The entity achieved 72% for Blacks, 41% for women, 20% for Youth, 2% for PWDs. This demonstrates the entity's commitment in supporting previously disadvantaged groups in line with Government priorities of empowering these groups.

The entity strives to ensure that the vulnerable groups are given opportunities and supported throughout the value chain of the film sect. Funding is one of those critical areas that the entity seeks to ensure that the vulnerable groups benefit through. Over seventy percent of the entity's procurement budget is earmarked to support the vulnerable groups. However, there are challenges that have been identified in trying to support the vulnerable groups and the entity is working tireless to address them. The challenges can be tubulated as follows:

a) Blacks:- Generally quotations received from this group of suppliers are not always the lowest. Understandably, bigger and much established companies are able to utilise the economies of scale to low their prices. However, at times there are issues of compliance and proper costing. The entity through supplier development programmes communicates these challenges to the service providers and offer assistance help.

b) Women:- Women are prioritised when invi
ting for bids and quotations. Their participation is also low, and those who come through at times do not meet the set criteria. Historically, the industry is male dominated and this might be a reflection of a broader challenge. A study on the participation of the women in the industry would be undertaken by the Research Business Unit in the 2023/24 financial year.

c) Youth:- Youth like all other designated / vulnerable groups are always prioritised when inviting bids and quotations. There has been a gradual improvement of the participation of the group. The entity is working on increasing the participation of rural and peri-urban youth.

d) People living with disabilities (PwD). Our database for PwD is limited, and so is the database for CSD. The entity has made efforts to contact various associations of people living with disabilities to include them in our database. An MoU was signed with eThekwini Chamber of People Living with Disabilities. The impact of this initiative would be measured in the 2023/24 financial year. The Co-operatives are also non-responsive from the CSD list, making it difficult to reach them. The entity continues to invite this group whenever possible.

4.3 PROGRAMME 3: MARKETING AND INDUSTRY DEVELOPMENT

Programme Purpose:

The main purpose of the Marketing and Industry Development is to facilitate the development of the film industry in the province, ensure that the province is film-friendly, attract investment into the Province through co-productions and film facilitation, and promote the region through appropriate marketing and communication strategies that focus on the film industry development programmes through human capital development and investment promotion.

Functions co-ordinated under this programme include:

- Investment promotion at local and international platforms aimed at attracting investment into infrastructure as well as into productions in the region.
- Development and implementation of a marketing strategy aimed at positioning the film in the local and international marketplace, engaging communities in the province to ensure access to the programmes of the commission, identification and promotion of business with certain countries that are leaders in the film industry.
- Development, management and maintenance of a website and critical stakeholder databases in order to assist in facilitating production and employment opportunities for the local industry.
- Business development / Incubation and graduate accelerator programmes.
- Human Capital Development through various training and skills development interventions.
- Management of the KZN Film Fund, for job creation; inward production investment and the development of technical skills in the province through increased and varied productions.
- One-stop-shop for production support including support in finding local crew and cast, film facilities, film permitting and location scouting.

Outcome: Transformed and inclusive film industry in KZN through Increased access to KZNFC Programmes					
Performance Indicator	Actual Achievement	Planned Target	Actual Achievement	Deviations	Comments
	2021/22	2022/23	2022/23		
Percentage of people selected to attend markets and festivals (delegation) from the designated groups	72%	73%	100%	+27%	11 filmmakers were awarded funding to attend markets and festivals in the 2022/23 financial year.

Percentage of people selected to attend markets and festivals (delegation) from the designated groups

There were eleven (11) filmmakers were awarded funding to attend markets and festivals in the 2022/23 financial year. All participants were from the designated groups; 73% were African black, 22% Coloured and 11% Indian. 67% of the awardees were Woman, 33% were Youth and 11% were PwDs. The target was achieved at 100%.

Outcome: Transformed and inclusive film industry in KZN through Increased access to KZNFC Programmes					
Performance Indicator	Actual Achievement 2021/22	Planned Target 2022/23	Actual Achievement 2022/23	Deviations	Comments
Percentage of film fund projects awarded funding to designated groups	87%	90%	96%	+6%	The target was achieved.

Percentage of film fund projects awarded funding to designated groups

The entity successfully met the planned target with an achievement of 96%, surpassing the initial target of 90%. However, we were unable to meet the target for demographics. Out of the awards given, 93% were awarded to black filmmakers, with a target of 90%. Only 44% of the awards were given to women, missing the target of 50%, while 37% were awarded to youth, just below the target of 40%. Additionally, 7% of the awards were given to people with disabilities, exceeding the target of 2%. It is important to note that the reason why targets for certain groups were not met is due to the open nature of the calls. While we aim to attract applicants from targeted groups, there is no guarantee that they will apply.

Outcome: Increased film production in KZN by 30% in order to create temporary jobs					
Performance Indicator	Actual Achievement 2021/22	Planned Target 2022/23	Actual Achievement 2022/23	Deviations	Comments
Number of isiZulu Made - for TV movies awarded funding in development and production	-	8	8	-	The annual target was achieved
Number of productions awarded funding through KZNFC film fund	8	6	14	+8	The target was exceeded by 8 projects, this was due to savings identified in the COVID relief fund as well as capping of projects that had not raised the required funding.
Number of development projects awarded funding through KZNFC film fund	14	18	54	+36	The target was exceeded by 36 projects, this was due to saving identified in the COVID relief fund as well as capping of projects from prior years.

Number of temporary jobs created through KZNFC film fund	150	160	180	+20	There was an increase in the submission of cost reports at year end for expenditure that occurred during the year, hence the annual target increased

Number of isiZulu Made - for TV movies awarded funding in development and production

The organization had set specific targets for different groups. The target for women was to achieve 50%, but only 25% was reached. On the other hand, the target for youth was 60%, and it was fully achieved at 100%. It should be noted that since all funding calls are public, the organization cannot guarantee that applicants from the sub targets would apply. However, to ensure that the sub targets are met, the organization will be adopting a targeted approach.

Number of productions awarded funding through KZNFC film fund

The organization had set targets for the demographics of women, youth, and persons with disabilities (PwDs). However, the targets were not fully achieved as only 36% of women, 14% of youth, and 0% of PwDs applied. Since all funding calls are public, the organization cannot ensure that applicants from the specific sub-targets will apply. To address this issue, the organization plans to implement a targeted approach to meet the sub-targets in the future.

Number of development projects awarded funding through KZNFC film fund

The organization met and exceeded its performance target indicator, and also exceeded the demographic target for Women and Persons with Disabilities (PwDs). However, the demographic target for youth was not achieved. Since all funding calls are public, the organization cannot guarantee that applicants from the sub targets will apply. To address this issue, the organization will soon implement a targeted approach to ensure that the sub targets are met.

Number of temporary jobs created through KZNFC film fund

The primary goal was achieved, but the specific target for a particular demographic was not reached. The selection of the production crew is solely decided by the producer and director, which resulted in not meeting the sub-targets. Tar get set for women was 50% achieved was 27%, target set for youth was 40% achieved was 35%.

"...The KZNFilm has funded numerous productions which have been accessible to many audiences through various distribution and exhibition platforms both locally and internationally."

Outcome: Increased film production in KZN by 30% in order to create temporary jobs					
Performance Indicator	Actual Achievement 2021/22	Planned Target 2022/23	Actual Achievement 2022/23	Deviations	Comments
Number of co-productions within the African continent	0	3	1	-2	The projects were not able to raise their additional funding required, therefore the co-production agreements could not be finalised
Number of international productions shooting in KZN	0	2	2	-	The annual target has been met

Number of co-productions within the African continent

The target was not met and there were no targets for the sub groups.

Number of international productions shooting in KZN

The target was not met and there were no targets for the sub groups.

Outcome: Increased participation of KZN crew in productions funded by KZNFilm because of training programmes and Policy Promotion					
Performance Indicator	Actual Achievement 2021/22	Planned Target 2022/23	Actual Achievement 2022/23	Deviations	Comments
Percentage of temporary KZN crew employed on KZNFilm funded projects.	64%	65%	80%	+15%	The target was met and exceeded by 15%. The focus on funding emerging filmmakers and an increase in the number of local Made for TV projects contribute to the increase

Percentage of temporary KZN crew employed on KZNFilm funded projects.

The KZN crew target was achieved at 80%. However, the demographic targets fell short. The target for women was set at 40%, but only 27% was achieved. The target for youth was 50%, but only 40% was achieved, while the PwD target was 2%, but only 1% was achieved. The main reason for these variations is that the producer and director have the discretion to hire crew members for productions, thus sub-targets were not met.

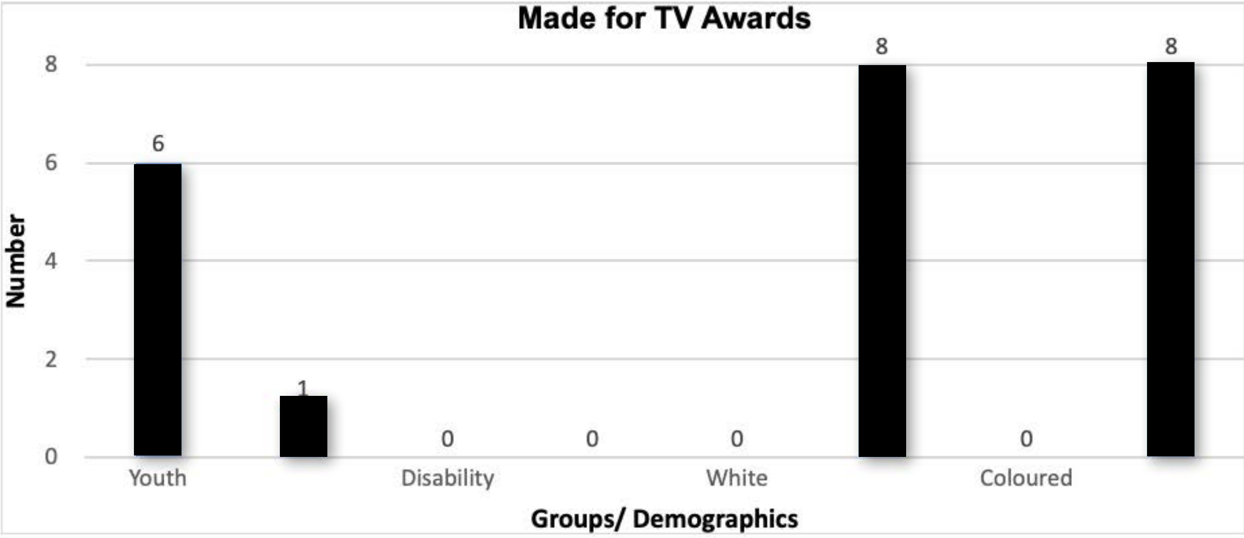
Film Fund

The KwaZulu-Natal Film Commission launched its Film Fund in July 2014. The Fund is for the development, production, post production, marketing & distribution of television, feature films, short films, animation, and documentary content. The fund also caters for Audience development and filmmaker travel support to international Markets and Festivals. Since its inception, the organisation has committed a substantial amount towards the development, production and marketing and distribution of audio-visual content funding.

Projects funded during the financial year

Made for TV projects awarded funding

The graph below (Fig. 1) depicts the number of beneficiaries awarded funding during the financial year in terms of groups/ demographics for the Made for TV category. Fig 2 depicts the beneficiaries in the same category in terms of percentage.



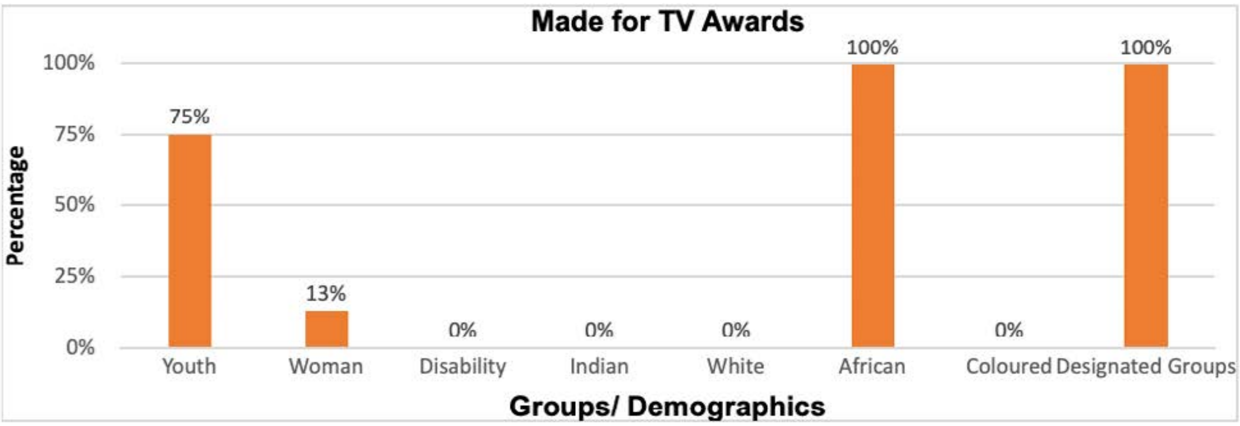
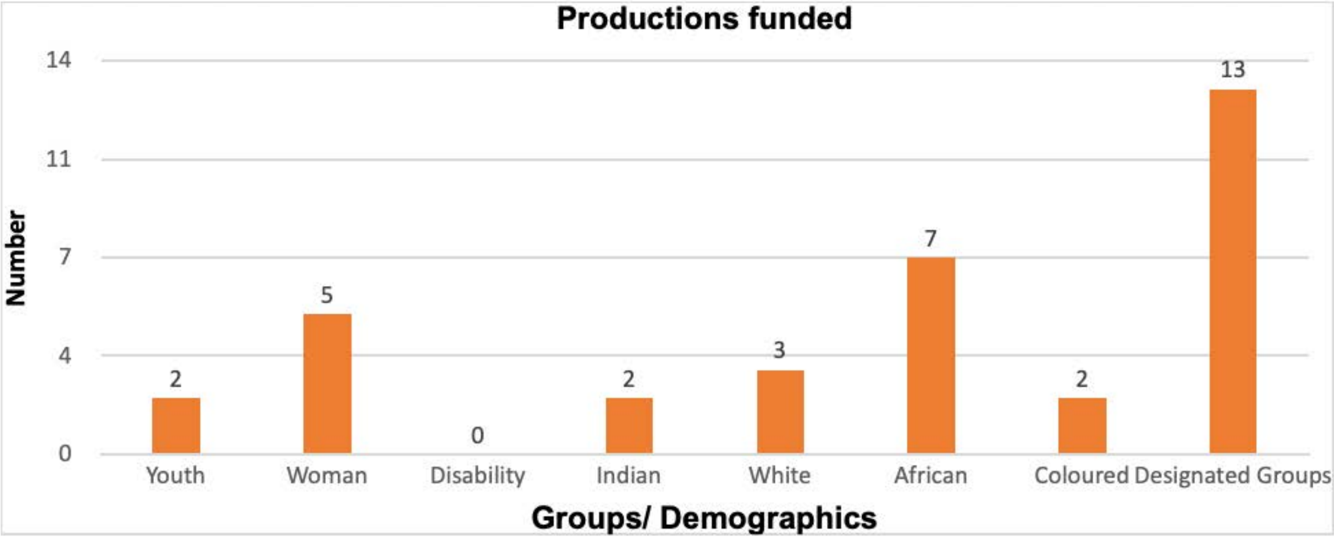


Fig.2

Number of productions awarded funding

The figure labelled as Fig. 3 shows the number of productions funded during the financial year grouped by demographics. Meanwhile, Fig. 4 provides a breakdown of the beneficiaries in the same categories in terms of percentage.



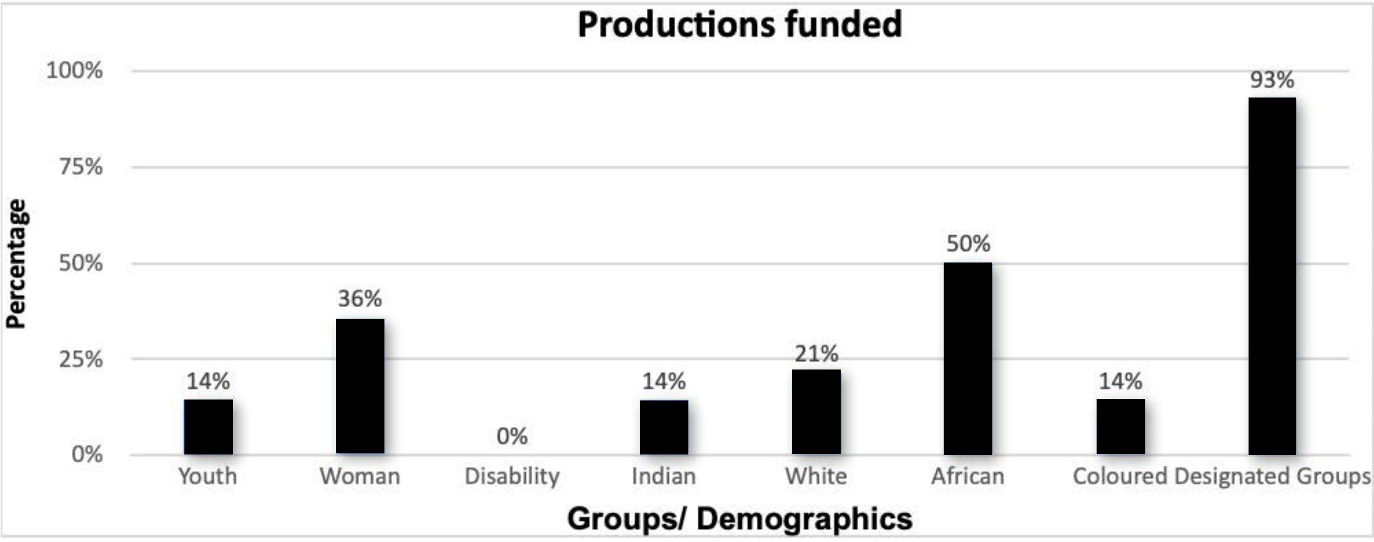


Fig.4

Fig. 5 displays the count of development projects that were funded throughout the financial year, categorized by demographics. Additionally, Fig. 6 illustrates a percentage breakdown of the beneficiaries in each category.

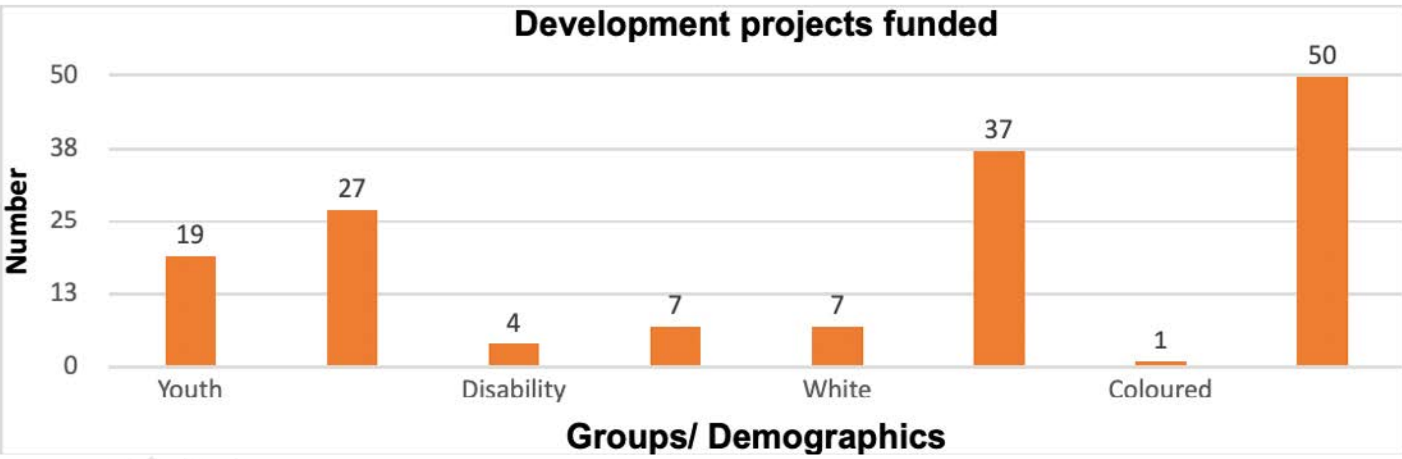


Fig.5

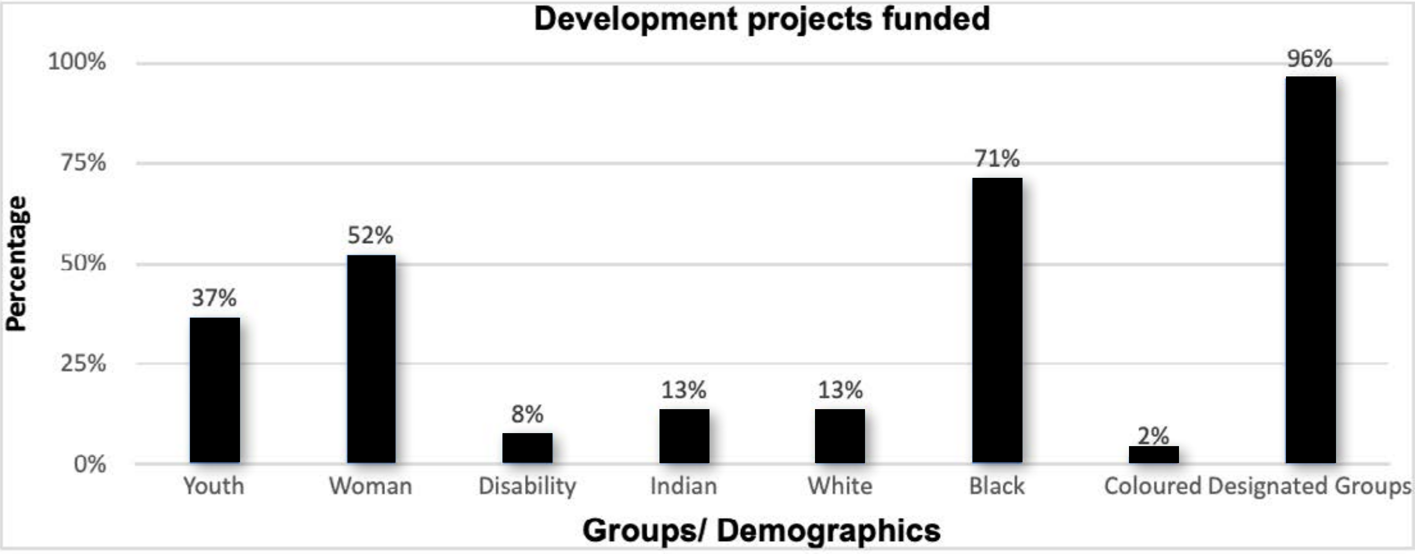


Fig.6

Audio Description (AD) Programme

The KZNFilm has funded numerous productions which have been accessible to many audiences through various distribution and exhibition platforms both locally and internationally. To ensure that our audience is inclusive, and to expand reach and accessibility, the entity began a programme of audio descriptions in the 2021/22 financial year. An audio description is a form of narration used to provide information surrounding key visual elements in films for the benefit of the blind and visually impaired audiences to give them a complete picture of what is being shown on the screen. KZNFilm audio description programme was implemented by ShazaCine Pty Ltd, a company run by Shakila Maharaj, a black woman with disabilities. The entity continued the programme in the 2022/23 financial year, with eight (8) KZNFilm funded films, that were audio-described, four (4) were completed by the end of the financial year.

International Markets and Festivals

The international markets and festivals offer filmmakers an opportunity to attend various film festivals that takes place locally and internationally. The filmmakers are given an opportunity to network with filmmakers from other countries, to forging new relationships either for funding, distribution, or coproduction.

The KwaZulu-Natal Film Commission implements its international market strategy through its attendance at key film markets and festivals. The intended outcome of attending these platforms is to achieve three main objectives namely: KZN Locations ***Brand Positioning and Promotion, KZN Content Promotion and Distribution, Filmmaker talent support.***

The Annual Performance target for output indicator would be changed in the 2023/24 to be aligned to the calendars of Markets and Festivals and be measured quarterly rather than annually. In the 2022/23 financial year, nine filmmakers were funded to attend markets and festivals.

Film Marketing and Distribution Funding

The fund supports the distribution and exhibition of local film content through the provision of film marketing funding which is severely under-resourced in the country. The fund assists in making provisions for a marketing campaign to be implemented in support of the film as it goes to market. Ordinarily, South African films do not perform well at the box office, partly because there are not enough resources put in place to promote them on different platforms. The marketing and distribution fund goes some way in ensuring the success of KZN productions in the market. Furthermore, the fund seeks to ensure that the beneficiaries get better returns on their projects. In the 2022/23 financial year, the KZN Film Commission supported the two projects, The Valley of a Thousand Hills and Nelson Mandela's Favourite Africa.

Film Industry Development Workshop

The KwaZulu-Natal Film Commission is committed to providing “people-centred” services as part of its objectives that seeks to ensure the provision of opportunities for persons, especially from disadvantaged communities for them to enter and participate in the film industry. Experts in the industry, funders and broadcasters are usually invited to provide talks on industry matters.

For the financial year of 2022/23, all Industry Development Workshops were held across the province. Uthukela, Umzinyathi, Zululand, Harry Gwala, Amajuba, Ugu and Umkhanyakude were District Municipalities engaged and focussed upon as District Municipalities that have not benefited from the entity’s programmes in the past. The annual target of 10 that was set in the operational plan was met and exceeded.

Film Information Sharing Sessions

Information sharing sessions create a platform for the general public to be introduced to the industry and the programmes offered by KwaZulu Natal Film Commission. The focus is generally to attract new entrants as service providers, suppliers, and practitioners.. Also, information on careers in the industry is shared with the youth at various engagements across the province districts that are previously underserved. An operational target of ten information sharing sessions was met and exceeded during the financial year.

Simon “Mabhunu” Sabela KZN Film and Television Awards:

The Simon “Mabhunu” Sabela KZN Film and Television Awards were unable to take place in the 2020/21 financial year due to COVID-19 restrictions. However, they returned with a bang in the 2022/23 financial year. These awards are organized by the KwaZulu-Natal Film Commission on behalf of the Department of Economic Development, Tourism, and Environmental Affairs (EDTEA). The purpose of the awards is to recognize and reward excellence in the film and television industry, as well as to showcase the growth of the province’s film industry. The event is held annually during the Durban International Film Festival (DIFF) and is attended by key stakeholders in the industry. In 2022/23 financial year, approximately 500 delegates attended the physical event, and it was also accessible through streaming platforms.

Film Audience Development

The KZNFilm Audience Development is an initiative where local content, in particular the KZN films, are screened in communities across the province. The screenings seek to develop a culture of watching local movies among communities. Screenings also provide an opportunity to market local content The expectation is that when the local communities are exposed to local films, the audiences for local content will grow, and local filmmakers will become popular. Actors are provided with an opportunity to build their profiles and fan base, increasing their potential value for future contracts. Screenings also focus on “our local stories”, and at times, issues such as social cohesion are addressed. KZNFilm has also made a conscious decision to ensure that screenings take place in peri-urban and rural areas. All these efforts are aimed at building a sustainable audience to consume local content.

Highlights of the Industry Development Intervention in 2022/23

Two Year Scriptwriting Programme

The programmes was planned for two years. The final workshop for the first year of the programme took place on the 4-6 November 2022. The 24 participants received their certificates and software at the close of the financial year and the project was completed.

NAME OF ISD PROGRAMME	NO. OF PARTICIPANTS	MALE	FEMALE	YOUTH	DISABILITY	DISTRICT MUNICIPALITY
SCRIPTWRITING PROGRAMME	24	11	13	21	0	UMKHANYAKHUDE

Schools Programme

This was a two year programme that closed at the end of the 2022/23 financial year. A total number of five schools participated in the programme of which one of them was a school for children living with disabilities.

NAME OF ISD PROGRAMME	NO. OF PARTICIPANTS	MALE	FEMALE	YOUTH	DISABILITY	DISTRICT MUNICIPALITY
SCHOOLS PROGRAMME	106	43	63	106	26	UMKHANYAKHUDE, UMGUNGUNDL-OVU, ILEMBE, HARRY GWALA

Drone Technology

The drone programmes was one of the scarce skills programmes that the entity identified to assist filmmakers to venture in this unique field. There were eight participants who enrolled for the programme and six completed within the set time frame on the 28 February 2023. The graduation took place on 17 March 2023. The remaining two (2) participants did not completed the ground school due to work commitments.

NAME OF ISD PROGRAMME	NO. OF PARTICIPANTS	MALE	FEMALE	YOUTH	DISABILITY	DISTRICT MUNICIPALITY
DRONE TECHNOLOGY	6	5	1	5	0	ETHEKWINI

External bursaries

Twenty five (25) students were funded for their studies through KZNFilm bursary programme. The students were mainly studying at UKZN, DUT and AFDA. Most of the students who were funded were females and youth coming from the designated group.

NAME OF ISD PROGRAMME	NO. OF PARTICIPANTS	MALE	FEMALE	YOUTH	DISABILITY	DISTRICT MUNICIPALITY
2022 BURSARY PROGRAMME	24	9	15	24	0	ETHEKWINI & UM-GUNGUNDLOVU

Production Internship Programme

To ensure that interns gain valuable industry skills KZNFilm places and supported students on internship programmes in the local production houses. Such as, Uzalo (8 interns), Durban Gen (1 intern) the series came to an end as of 30th April 2023; Umkhokha (internship started on 23 January 2023 and will continue for a period of 9 months). In the financial year under review, the production of “Mother of All” came to an end. Moreover, filming for “EHostela” was completed by September 30th, 2022. Three (3) interns were selected for the 1KZNTV internship starting in April 2023.

NAME OF ISD PROGRAMME	NO. OF PARTICIPANTS	MALE	FEMALE	YOUTH	DISABILITY	DISTRICT MUNICIPALITY
PRODUCTION INTERNSHIP PROGRAMME	34	17	17	34	0	ETHEKWINI

Production Skills Programme

A production skills programme was held in Nongoma under Zululand District Municipality. Thirty (30) learners participated on the programmes.

NAME OF ISD PROGRAMME	NO. OF PARTICIPANTS	MALE	FEMALE	YOUTH	DISABILITY	DISTRICT MUNICIPALITY
PRODUCTION SKILLS PROGRAMME	30	15	15	21	0	ZULULAND

NQF 4 Film and TV Learnership Programme (Mbazwana)

The purpose of this project was to equip youth, especially from previously disadvantaged backgrounds with the relevant professional filmmaking skills, knowledge, and expertise by providing them with a MICT SETA accredited NQF Level 4 Film and TV Production Operations qualification learnership programme for KZN filmmakers. 27 learners were deemed competent which means they can all progress to the next level. The graduation for the programme was on 2 March 2023. An Information Sharing Session was conducted on 2 March 2023 which updated the learners of the options available to them from KZNFilm.

NAME OF ISD PROGRAMME	NO. OF PARTICIPANTS	MALE	FEMALE	YOUTH	DISABILITY	DISTRICT MUNICIPALITY
NQF LEVEL 4 LEARNERSHIP-MBAZWANA	27	11	16	20	0	UMKHANYAKHUDE
NQF LEVEL 5 LEARNERSHIP-MBAZWANA	30	10	20	29	0	UMKHANYAKHUDE

How To Animation Videos:

The Business Unit developed the How to animation videos during the financial year. This is to make it easy for the stakeholders / clients to access information on how different KZNFilm programmes can be accessed.

Animation and VFX internship (MICT SETA Funded)

Katanimate Animation Studios (a client at the Cluster) was appointed as the service provider for Animation and VFX internship. Ten interns were selected for these programmes and they started on 31 January 2023.

NAME OF ISD PROGRAMME	NO. OF PARTICIPANTS	MALE	FEMALE	YOUTH	DISABILITY	DISTRICT MUNICIPALITY
DIGITAL ENTREPRENEUR-SHIP	20	11	9	19	0	ETHEKWINI
ANIMATION & VFX INTERNSHIP (MICT SETA FUNDED)	10	6	4	9	0	ETHEKWINI

Location Scouting Training Programme (MICT SETA Funded)

This programme started in February 2023. The programme was conducted under Ugu District Municipality at the Sayidi FET.

NAME OF ISD PROGRAMME	NO. OF PARTICIPANTS	MALE	FEMALE	YOUTH	DISABILITY	DISTRICT MUNICIPALITY
LOCATION SCOUT PROGRAMME (MICT SETA FUNDED)	10	3	7	9	0	UGU

NQF Level 5 Film and TV Learnership Programme (MICT SETA Funded)– Groutville

The recruitment for the programme was done in December 2023. 28 students are participating in this programme and it is anticipated that they will complete in 2023/24 financial year.

NAME OF ISD PROGRAMME	NO. OF PARTICIPANTS	MALE	FEMALE	YOUTH	DISABILITY	DISTRICT MUNICIPALITY
NQF LEVEL 5- GROUTVILLE (MICT SETA FUNDED)	28	11	17	23	1	ILEMBE

The Film Industry Transformation Initiative (FITI)

The Film Industry Transformation Initiative (FITI) is aimed at providing KZN graduates hands-on skills on set/location. While graduates have the knowledge about the industry when they leave University, they often lack technical skills and are therefore shut out of job opportunities. FITI closes that gap by giving graduates an intensive one-year on set/ location workplace skills transfer where they work with production companies, and produce broadcast quality work. After a successful piloting of this programme, FITI launches with a dedicated training programme and manual this year. The programme started on 2023 and it's a three year programme.

NAME OF ISD PROGRAMME	NO. OF PARTICIPANTS	MALE	FEMALE	YOUTH	DISABILITY	DISTRICT MUNICIPALITY
FITI PROGRAMME	25	7	18	25	0	ETHEKWINI

Strategic partnerships (MOUs)

In a quest to assist the industry by bringing down the costs, KZNFilm enter into partnerships through MoUs with various industry stakeholders who in return offer filmmakers discounts when they use their services. This is a form of incentivising the industry to come to the province. These industry stakeholders / companies vary from catering, transport, accommodation etc. Some of the key stakeholders that entity processed MoUs with during the financial year were the following:-

Company Name	Services
Dingo Dawg PTY Ltd	Emergency services uniform
SAA	Flight services
Magic Pan	Catering
PG-MQS-STOAS	Security and transport

The Cluster

The Cluster is situated on the 10th and 11th floor of the KZNFilm. The KZNFilm Facilities and Locations Unit is charged with managing the Cluster (rentals) which constitutes the KZNFilm facilities and venues such as office space, edit suites, sound studio, a 42-seater Cinema and a training room. The KZNFilm cluster is home to a number of tenants who play a vital role in the film industry, by providing varying affordable rates and ensuring they run a professional business.

The KZN Cluster is home to nine (9) companies. These companies vary from production houses, photography, and legal to Animation Hub. Most of the current leases will expired in 2023 and had to be renew for a year in line with the KZNFilm's current lease agreement with Musgrave Centre Management. The space which is still available for rental is the sound studio fully equipped for post-production; an Edit suite with final cut 10 and premier pro; a 42-seater cinema for all screenings, a training room, and some office space rental all at discounted rates.

A facilities rate card has been developed and updated through conducting market research on equipment and facility hiring companies. This is to gauge the industry trends. Rates obtained from that market research have been used to benchmark KZNFilm rates in a manner that it becomes the cheapest amongst the industry rates. Once the market research is one, Provincial Treasury signs off on the rates to ensure due diligence is done in terms of showcasing support to the KZN Film Industry.

Approved Cluster rates

Office No.	Description/Size	Rate/Per Month	Parking
	11th Floor	With 10 Gig internet	
2.	(7.5m2)	R874	R250
3.	(7.6m2)	R885	R250
4.	(7.3m2)	R850	R250
5.	(15m2)	R1747	R250
6.	(11m2)	R1281	R250
7.	(11m2)	R1281	R250

No. of desks	Description	Rate/Month	Per Day	
	10th Floor	10 Gigs		
5	Resource Centre	R396	R150	R250
8	Hot desks	R378	R150	R250
24	Open Plan (The Kingdom)	R611	R150	R250
	Equipment room	R1165		R250
	Make-up room	R3377		

FamTours

The KZN Film hosts a variety production companies on familiarisation tours wherein the province is showcased from locations, accommodation facilities and talent to attract the productions. The tours vary based on the needs of the company in terms of the script descriptions of locations, architecture, and landscapes. During the financial year some of the notable international filmmakers who were hosted were from Italy, Senegal and Korea.

During the financial year under review an online map for KZN locations was completed and loaded on the KZNFilm website. The map shows locations in various KZN Municipalities. This online map is to help pinpoint locations as per GPS coordinates for filmmakers all over the world. Showcasing the beauty and possibilities available in KZN.

Also during the 2022/23 financial year the entity supported some productions with additional funding for security. This was to ensure that productions filming in the province are supported and feel secure in filming on KZN locations. The following 4 projects were supported for additional security: Father's day; Izifo Zabelungu; Kinks of Mulberry Street and Stolen.

Re-tabling of the Annual Performance Plan

During the financial year, one of the output indicators in the entity's 2022/23 Annual Performance Plan was amended. As a result, the plan had to be re-tabled. The revision of the target was driven by the aim to empower specific categories, such as Small Medium and Micro Enterprises (SMMEs), EMEs or QSEs, Co-operatives, Township, and Rural enterprises, through procurement. Additionally, the revision aimed to align the plan with the Medium-Term Strategic Framework (MTSF) and Provincial empowerment targets.

"...The KZN Film hosts a variety production companies on familiarisation tours wherein the province is showcased from locations, accommodation facilities and talent to attract the productions.."

Table 2.4.4.1:

Programme / Sub-programme: Finance and Administration									
Outcome	**Outputs**	**Output Indicat-ors**	**Audited Actual Perform ance 2020/2021**	**Audited Actual Perfor-mance 2021/2022**	**Planned Annual Target 2022/2023**	***Actual Achievement 2022/2023 until date of re-tabling**	**Devia-tion from planned target to Actual Achieve-ment 2022/2023**	**Reasons for devi-ations**	**Reasons for re-visions to the Outputs / Output indica-tors / Annual Targets**
Increased participa-tion of the designat-ed groups in the film sector	Rand value contract-ed to desig-nated groups	%of pro-cure-ment spend on black and desig-nated groups ma-jority owned service provid-ers	114%	Black: 80% Women: 70% Youth: 15% PwDs: 2% MV 1% Coopera-tives0%	Black: 72% Women: 70% Youth: 20% PwDs: 2% MV 2% Coopera-tives2%	Black: 76% Women: 41% Youth: 20% PwDs: 2% MV 0% Coopera-tives0%	Black: 0% Women: 29% Youth: 0% PwDs: 0% MV 2% Coopera-tives 2%	Target higher than the Provincial target and limited service provid-ers from CSD/ database for some designat-ed groups to partici-pate	To align the perfor-mance indicator with the Pro-vincial Targets

*Actual achievement must be reported in relation to the performance information reflected in the originally tabled Annual Performance Plan until date of re-tabling (In the instance where a public entity has re-tabled an Annual Performance Plan in the financial year under review).

5. REVENUE COLLECTION

	2022/2023			2021/2022		
Sources of revenue	**Estimate**	**Actual Amount Collected**	**(Over)/Under Collection**	**Estimate**	**Actual Amount Collected**	**(Over)/ Under Collection**
Cluster Rental	219 900	234 508	-14 608	268 032	197 544	70 488

The entity generates income from the Cluster. The Cluster's primary goal is not for profit, but rather to offer affordable rates and space to up-and-coming filmmakers to help them succeed. As mentioned in the Cluster section, nine (9) companies utilized the facility during the 2022/23 fiscal year.

6. CAPITAL INVESTMENT

The report on Capital Investment does not apply to KwaZulu-Natal Film Commission.


AMAJUBA FILM FESTIVAL
AFF
.KZN FILM
KWAZULU-NATAL FILM COMMISSION SOUTH AFRICA
OUR KINGDOM IS YOUR STAGE


Introduction to the Industry Skills (ISD) Department 2022
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PART C
GOVERNANCE

1. INTRODUCTION

Corporate governance embodies processes and systems by which public entities are directed, controlled and held to account. In addition to legislative requirements based on a public entity's enabling legislation, and the Companies Act, corporate governance with regard to public entities is applied through the precepts of the Public Finance Management Act (PFMA) and run in tandem with the principles contained in the King's Report on Corporate Governance.

Parliament, the Executive and the Accounting Authority of the public entity are responsible for corporate governance.

2. PORTFOLIO COMMITTEES

The entity reports to the Economic Development, Tourism and Environmental Affairs Portfolio as well as the Finance Portfolio Committee and the Standing Committee on Public Accounts (SCOPA). KZNFilm Board attended the following Portfolio Committee meetings

DATE	MEETING	PLACE	CEO ATTENDANCE	CFO ATTENDANCE	BOARD ATTENDANCE
05 April 2022	Budget hearing meeting	Legislature, PMB	Yes	Yes	None
02 February 2023	Strategy session with the MEC	Mayville	Yes	No	Mr John Wills
06 February 2023	Technical Lekgotla	Mayville	Yes	No	None
07 February 2023	Technical Lekgotla	Mayville	Yes	Yes	None
09 February 2023	Special COHORD Meeting	Mayville	Yes	No	None
16 February 2023	Provincial lekgotla meeting	Mayville	Yes	Yes	None
17 February 2023	Provincial lekgotla	Mayville	Yes	No	None
18 February 2023	Provincial lekgotla	Mayville	Yes	No	None
23 February 2023	Opening of the KZN Legislature	Legislature, PMB	Yes	No	None
24 February 2023	State of the province address	PMB	Yes	No	None
28 February 2023	State of the province debate	PMB	Yes	No	None
09 March 2023	Provincial Tourism Investment Committee	Premier resort, Hemville	Yes	No	None
22 March 2923	ESIED Strategic session	Didima, Drakensburg	Yes	No	None
25 March 2023	MEC Engagement with small business	Mlazi	Yes	No	None
29 March 2023	Operation Sukuma sakhe	Mtengwana community hall	Yes	No	None

3. EXECUTIVE AUTHORITY

The Executive Authority of the entity is the MEC for the Department of Economic Development, Tourism and Environmental Affairs.

4. THE ACCOUNTING AUTHORITY

The Introduction

The Board is appointed in terms of the founding legislation of the KZN Film Commission Act 3 of 2010. The Board is responsible for the strategic direction of the Entity and for the control of the Entity. In managing or directing the affairs of the Entity the Board has the authority to exercise all of the powers and perform any of the functions of the Entity except to the extent that the KZNFC Act provides otherwise.

The membership is clearly defined, and the responsibilities of the Board are guided by the principles of good corporate governance, which include:

- Retaining full and effective control over the entity and providing effective leadership in the best interest of the Entity;.
- Informing and approving the strategies and strategic objectives of the Entity and ensuring that strategy, risk, performance and sustainability considerations are effectively integrated and appropriately balanced;
- Determining and setting the tone of the Entity's values including principles of ethical business practice and the requirements of being a responsible corporate citizen;
- Bringing independent, informed and effective judgment to bear on material decisions of the Entity including material entity policies, the framework of delegated authorities, appointment and removal of the Chief Executive Officer, approval of the appointment or removal of Executive Committee members, capital expenditure, annual budgets and annual reports;
- Satisfying itself that the Entity is governed effectively in accordance with corporate governance best practices including risk management, legal compliance management, appropriate and relevant non-binding industry rules, codes and standards and internal control systems Monitoring the implementation by Board Committees and executive management of the Board's strategies, decisions, values and policies with a structured approach to governance, reporting, risk management, information management (including information technology) and risk based auditing;
- Ensuring that the Entity has effective Board Committees as required by the KZNFC Act, and recommended by best corporate governance practice (King IV);
- Ensuring that there is an effective risk based internal audit;
- Governing the disclosure control processes of the Entity including ensuring the integrity of the Entity's annual report and reporting on the effectiveness of the Entity's system of internal controls;
- Ensuring that disputes are resolved as effectively, efficiently and expeditiously as possible;
- Monitoring of the relationship between management and stakeholders of the Entity.

The details of the Board members appointed by the MEC for Economic Development, Tourism and Environmental Affairs including an indication of their attendance at meetings and remuneration paid during the financial year are contained in the annual financial statements Refer to page 60

Board Charter

The Board Charter continues to regulate functioning of the Board in accordance with the principles of good corporate governance. The Board Charter ensured that all Board members acting on behalf of the Entity were aware of their duties and responsibilities and the various legislation and regulations affecting their conduct. During the 2022/23 financial year the Board Charter was reviewed and approved by the Board.

"...catalyst for transformation, job creation and sustainability through funding, Industry Skills Development and the promotion of KwaZulu-Natal."

Composition of the Board

Name	Designation (in terms of the Public Entity Board structure)	Date appointed	Date resigned	Qualifications	Area of Expertise	Board Directorships (List the entities)	Other Committees or Task Teams (e.g: Audit committee / Ministerial task team)	No. of Meetings attended
Nise Malange	Board Member	01 February 2018	Current member	-	Film and Arts	-	None	(8) Board Meetings (9) Special Board:
Musa Mzimela	Board Member	01 February 2018	Current member	B Tech Management Hon. Public Administration- Postgraduate Diploma in Governance and Political Transformation	Local Government		Joint Board Task Team (for merger)	(8) Board Meetings: Q (11) Special Board: 11

Linda Ngcobo	Board Member	29/07/2021	Current member	• CA (SA) • Post Graduate Diploma in Accounting • B.Com Degree	•Umgeni Water Board, •Durban ICC Durban Chamber of Commerce and Industry • SA Cargo Services (Stevedoring services) • Frey's Food Brands, and • Centa Fire o Link Africa	KZN Studio (KZNFilm Board representative)	KZN Studio (KZNFilm Board representative)	Board Meetings: X 8 Special Board: 12
Leonie Pinho	Board Member	01 February 2018	Current member	Human Resource Management, Diploma Payroll Management MPA (SA) DIP	Operations director in remuneration and HR, consulting in tourism and incentives		None	Board Meetings: X 6 Special Board: 2

Sanele Zondi	Board Member	29/07/2021	Current member	MPhil MBA Board Leadership Programme Certificate – Executive Development Programme Certificate – Post Grad. Diploma in Business Administration BA Hons. - Public Administration BTech Degree in Marketing. Diploma in Marketing	Stakeholder relationship management, sales and distribution, marketing, retail, public relations and communications, advertising, brand building and leadership, portfolio management, trade promotion and investment, and project planning and management environments.	Chairperson of College Council of Umfolozi Technical and Vocational Education and Training College Board Director (Non-Executive) Richards Bay Industrial Development Zone (RBIDZ)	None	Board Meetings: X 08 Special Board: 9
John Wills	Board Member	29/07/2021	Passed Away	B. A. B. A. (Hons.) B. Proc.	Legal	N/A	KZN Studio (KZNFilm Board representative)	Board Meetings: X 8 Special Board: 7

5. RISK MANAGEMENT

KZNFilm's primary objective is to create, preserve and realise value for the Organisation. KZNFilm's approach to risk management seeks to identify risks and opportunities in the macro-environment, internally in the organisation, as well as issues that impact our stakeholders.

During the reporting year, KZNFC hosted a risk workshop with input from the executive and the management team, together with the risk officer to map the strategic and operational risks facing the organisation. The workshop also served to clarify KZNFC's appetite and thresholds for risk. The result was a newly prioritized risk register, which was continuously monitored and reported on by the compliance and risk officer.

Area	Explanation
Strategy and objective-setting	KZNFilm's risk appetite is aligned with our strategy and business objectives. How KZNFilm translates strategy into practice serves as a basis for identifying, assessing, and responding to risk.
Performance	Risks are prioritised by severity. The organisation responds and adopts a holistic view of the risk it has assumed.
Review and revision	By reviewing performance, KZNFilm considers how well risk management processes are functioning over time
Information, communication and reporting	Risk management requires an ongoing process of collecting and sharing information

KZNFilm's Risk Appetite Framework

It is the responsibility of the KZNFilm's Board to set the risk appetite for the organisation in line with the strategy. KZNFilm developed a risk appetite decision framework to drive risk reporting and management at the appropriate levels within the organisation. The Board and management teams make decisions about risks that may require a change to the strategy, risks that affect operations and the implementation of the strategy, while KZNFilm employees make decisions about risks that could potentially impact strategy execution negatively within their delegated authority.

The risk management process undertaken during the year provided a strong foundation and focus for the executive team. It had significantly improved the strategic management and corporate governance of the Entity. KZNFilm's Board believe that strategy, risk performance and sustainable service delivery are inseparable. Quality reviews are undertaken by EXCO and presented to the Audit and Risk Committee (ARC) through quarterly progress made during the year in addressing the strategic and operational risks. A risk register is compiled at the beginning of the financial year.

For the 2022/23 financial year the following areas were identified as high risk areas:

a) Operational inefficiencies due to the external environment and internal environment factors. The root cause of the risk was identified as the following: the impact of the merger on resulting in proposed shared services and high staff turnover, unavailability of IT services due to the entity not being able to appoint IT service providers on long term contracts and the impact of loadshedding on operations.

b) Negative Perception of KZN not being film friendly . The root cause of the risk was identified as follows: business forums causing disruptions on set impacting negatively on production, the negative impact of the riots

c) Reduced number of African and International co-productions. The risk arose largely due to the impact of the riots and the perception that KwaZulu-Natal is a violent province.

d) Limited distribution opportunities for funded content. The root causes for this risk was identified as limited knowledge by filmmakers about distribution opportunities.

e) Failure to meet transformation targets. The root causes identified was the pending revied PPPFA regulations, lack of responsiveness from the designated groups as well as uninformed targets.

6. INTERNAL CONTROL UNIT outsourced –

KZNFilm is guided by the principles set out in the Public Finance Management Act (PFMA). This means that the entity needs to implement and maintain efficient and effective corporate governance and internal control systems. Systems of internal control are designed to provide cost-effective assurance that assets are safeguarded, and that liabilities and working capital are efficiently and effectively managed. During the year under review, the Internal Audit function was outsourced to Morar Inc.

In line with the PFMA and King IV, the Internal Audit team provided the Audit and Risk Committee and management with assurance that internal controls are appropriate and effective. The following internal audits were undertaken during the year under review:

a) External Bursary Review
b) Human Resource and Performance Management Review
c) Risk Management Audit
d) Flood Relief Procurement
e) Performance Management – Quarter 1 and Quarter 2
f) Budget Review
g) High Level Review Of The 2022/23 Interim Financial Statements
h) Supply Chain And Expenditure Management Review
i) Follow Up On Previous Year Internal Audit and External Audit Findings
j) Protection Of Personal Information Act (POPIA) Compliance
k) Review Of The Annual Financial Statements For The Year Ended 31 March 2023
l) Performance Information – Quarter 3 and 4

7. THE AUDIT AND RISK COMMITTEE (ARC)

The functions of the ARC are: -

- To examine and review the Annual Financial Statements and interim financial reports with management and the external auditors before filing with regulators, and to consider whether such documentation is complete and consistent with information known to members of the Committee and reflects appropriate accounting principles;

- Review the effectiveness of the entity's risk management & related policies internal control system, including information technology security and control.

- Review the risk management framework for identifying, assessing, monitoring and managing significant risks;

- Review the effectiveness of the internal audit function, including compliance with The Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing.

- Review the external Auditors' proposed audit scope and approach, including coordination of audit effort with internal audit.

- The Committee shall serve as a performance Committee and report to the Board on all matters relating to performance management.

- Oversight of IT operations and risks

- Oversight of Fraud Prevention and misconduct

The Audit and Risk Committee shall:

- Consider the effectiveness of the organisation's internal control system, including information technology security and control;

- Understand the scope of internal and external auditor's review of internal control over financial reporting and obtain reports on significant findings and recommendations, together with management's responses;
- Review the effectiveness of the internal control systems;
- Review the control procedures followed by management;
- Review the controls designed to ensure that assets are safeguarded; Discuss the work performed by internal control unit during the year.

Review the Fraud Prevention Plan implemented to prevent and detect fraud;

- Review risk management and related policies; and
- Review compliance with prescribed accounting framework.

The Annual Report contains a report by the ARC committee indicating their assessment of these matters.

The table below discloses relevant information on the audit committee members:

Name	Qualifications	Internal or External	Date appointed	Date Resigned	No. of Meetings attended
L. Ngcobo	CA (SA)	External	08 August 2021	-	4
S. Zondi	Mphil	External	01 August 2021	-	4
D. Ramuedzisi	CA (SA)	External Additional		-	4

8. COMPLIANCE WITH LAWS AND REGULATIONS

The ARC reports must comply with its responsibilities arising from Section 50(1) of the Public Finance Management Act and Treasury Regulations. The Audit and Risk Committee shall be responsible for:

- Reviewing the effectiveness of systems for monitoring compliance with laws and regulations and the results of management's investigation and follow-up on any instances of non-compliance; and
- Obtaining regular updates from management and the organisation's legal counsel regarding compliance matters.

9. FRAUD AND CORRUPTION

KZNFilm has a fraud prevention policy in place. The entity has a "Zero Tolerance to Fraud and Corruption". All allegations of fraud, corruption and maladministration will be investigated and tough action will be taken against perpetrators i.e. disciplinary steps, civil recovery of financial losses and criminal prosecution.

The KZNFilm implements appropriate prevention and detection controls, which include the existing financial and other controls as prescribed in the systems, policies and regulations of the KZNFilm.

The KZNFilm obeys the principles contained in the Code of Conduct for Public Service, Batho Pele principles and the ethical values adopted by the KZNFilm and as contained in our strategic plan.

Officials are afforded the necessary confidentiality when reporting suspected fraud and corrupt activities. All allegations of fraud, corruption and maladministration is treated in confidence and every effort is made, subject to any legal constraints, not to reveal the identity of the reporter. The allegations reported will be screened and evaluated. All suspected fraud and corruption activities are reported via the Provincial Treasury Fraud Hotline.

10. CONFLICT OF INTEREST

Each employee and Board member declare their business interests at the beginning of the financial year. Staff members who serve on different SCM committees are required to declare their business interests on every meeting that they attend. It is general practice that the participants in the various governance structures are required to declare any conflicts of interest in the matters being discussed which is then noted in the minutes of the meeting.

11. CODE OF CONDUCT

With regards to SCM matters, the code of conduct as contained in the Provincial Treasury Practice Note 04 of 2007 are applied in KZNFilm. Furthermore, KZNFilm has a Code of Ethics policy which serves as a set of rules guiding the behaviour of individuals in an organisational set-up. The behavioural rules are based on KZNFilm's Core Values and create an organisation's culture requiring exemplary reputation with all its stakeholders. This Code of Ethics is designed to take ambiguity out of values and explains how employees are to demonstrate the core values of the organisation which must manifest on a daily basis as a way of life and that of doing business.

12. HEALTH SAFETY AND ENVIRONMENTAL ISSUES

The entity has a Health and Safety Committee appointed to look after all health and safety issues at the workplace. On environmental issues, the entity has endeavoured to ensure that its systems are automated and therefore paperless in order to reduce carbon emissions. With respect to the industry at large, the entity has produced guidelines for environmental sustainability. The information has been shared with the industry practitioners and with the Municipalities.

13. AUDIT COMMITTEE REPORT

We are pleased to present our report for the financial year ended 31 March 2023.

Audit Committee Responsibility

The Audit Committee reports that it has complied with its responsibilities arising from Section 77 of the Public Finance Management Act and Treasury Regulation 3.1.13. The Audit Committee also reports that it has adopted appropriate formal terms of reference as its Audit Committee Charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein, except that we have not reviewed changes in accounting policies and practices.

The Effectiveness of Internal Control

The committee:

- Reviewed and approved both the annual internal audit plan for the reporting period and ensured that the internal audit focused on the key risk areas of the KZNFC and applied combined assurance requirements

- Evaluated the independence and authority of the outsourced internal audit function and found these to be satisfactory, according to performance feedback provided to the internal auditors during the year
- Ensured that the internal audit function was adequately capacitated and budgeted to perform its role

The internal audit work that was completed in the financial year in review is as stated above under internal control.

In-Year Management and Monthly/Quarterly Report

The public entity has submitted monthly and quarterly reports to the Executive Authority as per the deadlines dates outlined in the funding agreement.

Evaluation of Financial Statements

The committee:

- Confirmed, based on management's review and projected cash flows, that the AFS were prepared on a going-concern basis
- Examined the AFS and other financial information made public, prior to their approval by the board
- Considered accounting treatments, significant or unusual transactions, and accounting judgements
- Considered the appropriateness of the accounting policies disclosed in the AFS and any changes made thereto
- Considered any problems identified as well as any legal and tax matters that could materially affect the financial statements

Based on the results of a formal, documented review of the design, implementation, and effectiveness of the organisation's system of internal financial control (as conducted by the internal audit function); considering information and explanations given by management; and discussions with the external auditor on the results of their audit, the committee is of the opinion that KwaZulu-Natal Film Commission's system of internal financial controls is effective and formed a fair basis for the preparation of reliable financial statements for the 2022/23 financial year.

The ARC has also satisfied itself as to the integrity of the Annual Report.

Auditor's Report

We have reviewed the public entity's implementation plan for audit issues raised in the prior year and we are satisfied that the matters have been adequately resolved.

The Audit Committee concurs and accepts the conclusions of the external auditor on the annual financial statements and is of the opinion that the audited annual financial statements be accepted and read together with the report of the auditor.

Linda Ngcobo

(Ms Linda Ngcobo)
Chairperson of the Audit Committee
(KwaZulu-Natal Film Commission)
30 May 2023

Refer to PART F under the Annual Financial Statements

14. B-BBEE COMPLIANCE PERFORMANCE INFORMATION

The following table has been completed in accordance with the compliance to the BBBEE requirements of the BBBEE Act of 2013 and as determined by the Department of Trade, Industry and Competition.

Has the Department / Public Entity applied any relevant Code of Good Practice (B-BBEE Certificate Levels 1 – 8) with regards to the following:		
Criteria	**Response Yes / No**	**Discussion (include a discussion on your response and indicate what measures have been taken to comply)**
Determining qualification criteria for the issuing of licences, concessions or other authorisations in respect of economic activity in terms of any law?	n/a	
Developing and implementing a preferential procurement policy?	Yes	The Preferential Policy is part of the Supply Chain Management Policy where Specific Goals are applied to all procurement in the Organization with the preference for Blacks, Women, Youth and People With Disabilities.
Determining qualification criteria for the sale of state-owned enterprises?	n/a	
Developing criteria for entering into partnerships with the private sector?	n/a	
Determining criteria for the awarding of incentives, grants and investment schemes in support of Broad Based Black Economic Empowerment?	Yes	This is done through our various programmes through Trainings and Grants as part of our B-BBEE scorecard, this can be through the Socio Economic Development, Enterprise Development, through Supplier Development or through various training (Skills) programmes.

PART D
HUMAN RESOURCES MANAGEMENT

1. HUMAN RESOURCE OVERSIGHT STATISTICS

1.1. Personnel related expenditure

The main thrust of the Human Resources Function is about harnessing human potential. HR must champion high performance. HR must be the unit that supports the developing, supporting, encouraging and enabling of employees' capacity. As such, HR will enable KZNFilm to create capabilities, capacity and a convenient climate to turn the strategic objectives into high-impact results as well as become an employer of choice for our valued employees. HR is a strategic partner to KZNFilm management in providing best-practice HR intervention, comprehensive professional support and efficient service across the entity. These include the management of all aspects of employee engagement in terms of Talent Acquisition, Performance Management, Skills Development, Employee Wellness, Employee Relations, Legislative Compliance and Transformation. The role of HR is to provide advice on the best practices as it relates to organisational design and development in order to improve institutional effectiveness.

The biggest challenge has been to ensure that the three (3) business units (Office of the CEO, Marketing and Development and Marketing and Industry Development) are adequately capacitated from the Human Capital perspective to deliver on its mandate. The number of strategic programmes has grown since the inception of KZNFilm in 2014, and the establishment of the film cluster has required that the positions previously not filled, are now required to be filled to service the increase in demands by the film industry which is seeing a significant increase in activities. All these strategic programmes must be supported by effective administrative business processes that inculcate good governance, risk management and compliance within the legislated frameworks. This priority has proved to be a huge challenge in light of the high vacancy rate due to the delays in the finalization of the merger process with Tourism KwaZulu Natal. Despite the high vacancy rate, employees have pulled together to ensure that set deliverables were achieved during the financial year.

The delays in the finalisation of the merger process have impacted negatively on staff motivation and have resulted in an increased staff turnover. A huge focus was placed on proper employee wellness and engagement, especially regarding the progress in the merger process and providing wellness support to staff, especially taking into account the increased incidence of mental health and financial challenges due to the economic downturn.

Personnel Expenditure

Personnel Expenditure	Total Expenditure for the entity (R'000)	Personnel Expenditure (R'000)
TOTAL	118 781	34 062

Personnel cost by salary band

Level	Personnel Expenditure (R'000)	% of personnel exp. to total personnel cost (R'000)	No. of employees	Average personnel cost per employee (R'000)
Executive Management	5 189	15%	2	2 595
Senior Management	11 445	34%	8	1 431
Middle Management	10 179	30%	14	727
Junior Management	6698	20%	16	419
TOTAL	**33 511**	**100%**	**40**	**838**
Unskilled (Interns)	1237	100%	20	62
TOTAL	**34 748**	**100%**	**60**	**900**

Employment and vacancies

Programme/activity/ objective	2021/2022 No. of Employees	2021/2022 Approved Posts	2022/2023 No. of Employees	2022/2023 Vacancies	% of Vacancies
Office of the CEO	3	6	3	3	50,00%
Marketing and Industry Development	10	17	11	6	35,29%
Finance and Administration	7	13	7	6	46,15%
TOTAL	**20**	**36**	**21**	**15**	**41.67%**

Programme/activity/ objective	2021/2022 No. of Employees	2021/2022 Approved Posts	2022/2023 No. of Employees	2022/2023 No. of Vacancies	% of Vacancies
Executive Management	1	3	1	2	67%
Senior Management	7	8	6	2	25%
Middle Management	6	12	8	4	33%
Junior Management	6	13	6	7	54%
TOTAL	**20**	**36**	**21**	**15**	**41.67%**

Due to the non-filling of permanent vacant positions and due to the impending merger between KZNFilm and TKZN, it has been a challenge to retain senior management staff. The CEO position has been vacant since April 2022 and Acting placements were made for both the CEO and the CFO positions. A joint memorandum by both KZNFilm and TKZN to fill vacant critical positions was approved by the Premier in May 2022 for the 2 Production Analysts and 1 Production Coordinator. At most, vacant permanent positions remain unfilled for the whole financial year, unless they are approved by the Premier for permanent filling.

The entity has managed to attract and retain staff through the creation of secondment opportunities either at the next level or laterally in a different function. Four secondment opportunities were created during the financial year under review.

Salary Band	Employment at beginning of period	Appointments	Terminations	Employment at end of the period
Executive Management	1	0	0	1
Senior Management	7	0	1	6
Middle Management	6	2	0	8
Junior Management	6	1	1	6
TOTAL	**20**	**3**	**2**	**21**

Reasons for staff leaving:

Reason	Number	% of total no. of staff leaving
Death	0	-
Resignation	2	5,5%
Dismissal	0	-
Retirement	0	-
Ill health	0	-
Expiry of contract	0	-
Other	0	-
TOTAL	**2**	**5,5%**

Labour Relations: Misconduct and disciplinary action

Nature of disciplinary Action	Number
Verbal Warning	9
Written Warning	7
Final Written warning	0
Dismissal	0

PART E
COMPLIANCE REPORT

1. IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE AND MATERIAL LOSSES

1. Irregular expenditure

a) Reconciliation of irregular expenditure

Description	2022/2023	2021/2022
	R'000	R'000
Opening balance	16,840,255.15	17,974,656.08
Add: Irregular expenditure confirmed	441,717.30	214,677,37
Less: Irregular expenditure condoned	-2,262,542.75	-1,349,078
Less: Irregular expenditure not condoned and removed	-	-
Less: Irregular expenditure recoverable	-	-
Less: Irregular expenditure not recovered and written off	-19,430	-
Closing balance	**15,000,000.00**	**16,840,255.15**

An amount of R441,717.30 was for the SCM process that was not followed in procuring of SSA Trophies and Judges

Reconciling Notes

Description	2022/2023	2021/2022
	R'000	R'000
Irregular expenditure for the current year	441,717.30	214,677.37
Total	**441,717.30**	**214,677.37**

b) Details of current and previous year irregular expenditure (under assessment, determination, and investigation)

Description	2022/2023	2021/2022
	R'000	R'000
Irregular expenditure under assessment	-	-
Irregular expenditure under determination	-	-
Irregular expenditure under investigation	-	-
Total	**-**	**-**

Include discussion here where deemed relevant.

c) Details of current and previous year irregular expenditure condoned

Description	2022/2023	2021/2022
	R'000	R'000
Irregular expenditure condoned	-2,262,542.75	-1,349,078.00
Total	**-2,262,542.75**	**-1,349,078.00**

Include discussion here where deemed relevant.

d) Details of current and previous year irregular expenditure removed - (not condoned)

Description	2022/2023	2021/2022
	R'000	R'000
Irregular expenditure NOT condoned and removed	-	-
Total	**-**	**-**

e) Details of current and previous year irregular expenditure recovered

Description	2022/2023	2021/2022
	R'000	R'000
Irregular expenditure recovered	-	-
Total	**-**	**-**

f) Details of current and previous year irregular expenditure written off (irrecoverable)

Description	2022/2023	2021/2022
	R'000	R'000
Irregular expenditure written off	-19,430	-
Total	**-19,430**	**-**

Additional disclosure relating to Inter-Institutional Arrangements

g) Details of non-compliance cases where an institution is involved in an inter-institutional arrangement (where such institution is not responsible for the non-compliance)

Description
None
Total

h) Details of non-compliance cases where an institution is involved in an inter-institutional arrangement (where such institution is responsible for the non-compliance)

Description	2022/2023	2021/2022
	R'000	R'000
None		
Total		

i) Details of current and previous year disciplinary or criminal steps taken as a result of irregular expenditure

Disciplinary steps taken
Current year there was R441,717.30 that related to Mboniseni Group - a written warning was issued.
Prior Year:
An amount of R5,182.20 was recorded for Ubucule Accountants - a warning was issued
An amount of R56,729.97 for Metrofile – a warning was issued
An amount of R75,865.23 for VOIP – a verbal warning was recorded
An amount of R16,899.97 was recorded for Ubucule – a warning was issued

2. FRUITLESS AND WASTEFUL EXPENDITURE

a) Reconciliation of fruitless and wasteful expenditure

Description	2022/2023	2021/2022
	R'000	R'000
Opening balance	43,394.53	110,190.60
Add: Fruitless and wasteful expenditure confirmed	15,853.48	27,113.93
Less: Fruitless and wasteful expenditure written off	-12,377.14	-51,510.00
Less: Fruitless and wasteful expenditure recoverable	-11,460.18	-42,400.00
Closing balance	35,410.69	43,394.53

Reconciling notes

Description	2022/2023	2021/2022
	R'000	R'000
Fruitless and wasteful expenditure for the current year	15,853.48	27,113.93
Total	**15,853.48**	**27,113.93**

b) Details of current and previous year fruitless and wasteful expenditure (under assessment, determination, and investigation)

Description	2022/2023	2021/2022
	R'000	R'000
Fruitless and wasteful expenditures recovered	-	-
Fruitless and wasteful expenditure under determination	-	-
Fruitless and wasteful expenditure under investigation	-	-
Total	**-**	**-**

c) Details of current and previous year fruitless and wasteful expenditure recovered

Description	2022/2023	2021/2022
	R'000	R'000
Fruitless and wasteful expenditures recovered	-11,460.18	-42,400.00
Total	**-11,460.18**	**-42,400.00**

d) Details of current and previous year fruitless and wasteful expenditure not recovered and written off

Description	2022/2023	2021/2022
	R'000	R'000
Fruitless and wasteful expenditure written off	-12,377.14	-51,510.00
Total	**-12,377.14**	**-51,510.00**

The amount of R51,510 that was written off, related to an advert that was published before funds were confirmed by PT for the KZN Studios.

e) Details of current and previous year disciplinary or criminal steps taken as a result of fruitless and wasteful expenditure

Disciplinary steps taken
Prior year: • An amount of R22,895.71 where HR processes were not followed in the appointment of Anna Sarah Firmin- Implementation of Recovery underway. • An amount of R1,120 where a service provider was paid above the listed pricing list for some Covid-19 Items- Recovery was to be made by an official and has been made. • An amount of R3,098.22, ticket bought not used to attend Annecy Festival by Mr Dlamini and Jackie Motsepe- Recovery was instituted and the amount has been recovered.

Current year:

- An amount of R7,571.76 was paid for car hire, CEO's recommendations were followed and funds were fully recovered.
- An amount of R7,088.72 was paid for FAM Tour flights s and flights were cancelled – the amount was written off. Future liability form to be signed by the crew for future farm tours, and for the full balance to be written off.

3. Additional disclosure relating to material losses in terms of PFMA Section 55(2)(b)(i) &(iii))

a) Details of the current and previous year material losses through criminal conduct

Material losses through criminal conduct	2022/2023	2021/2022
	R'000	R'000
Theft	n/a	n/a
Other material losses		
Less: Recovered		
Less: Not recovered and written off		
Total		

b) Details of other material losses

Nature of other material losses	2022/2023	2021/2022
	R'000	R'000
n/a		
Total		

c) Other material losses recovered

Nature of other material losses	2022/2023	2021/2022
	R'000	R'000
n/a		
Total		

d) Other material losses written off

Nature of other material losses	2022/2023	2021/2022
	R'000	R'000
n/a	n/a	n/a
Total		

2. LATE AND/OR NON-PAYMENT OF SUPPLIERS

Description	Number of invoices	Consolidated Value
		R'000
Valid invoices received	1167	R 67 678 642,14
Invoices paid **within** 30 days or agreed period	994	R 65 431 344.14
Invoices paid **after** 30 days or agreed period	173	R7 755 079.00
Invoices older than 30 days or agreed period ***(unpaid and without dispute)***		
Invoices older than 30 days or agreed period ***(unpaid and in dispute)***		

Reason for Over Day Payment: *Suppliers are sending invoices late to remedy such we now turn back all late invoices with current dates.* *System glitches as we moved to cloud.*

3. SUPPLY CHAIN MANAGEMENT

1. Procurement by other means

Project description	Name of supplier	Type of procurement by other means	Contract number	Value of contract R'000
n/a				
Total				

2. Contract variations and expansions

During the 2022/23 financial contract variations amounted to R4 079 482.58. Deviations amounted to R1 683 273.


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PART F
FINANCIAL INFORMATION

AUDITOR-GENERAL SOUTH AFRICA

AUDITOR'S REPORT

2022-23

KwaZulu-Natal Film Commission

Report of the auditor-general to the KwaZulu-Natal Provincial Legislature on the KwaZulu-Natal Film Commission

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the KwaZulu-Natal Film Commission set out on pages 77 to 130, which comprise the statement of financial position as at 31 March 2023, statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget and actual amounts for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.

2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the KwaZulu-Natal Film Commission as at 31 March 2023, and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa No.1 of 1999 (PFMA).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the responsibilities of the auditor-general for the audit of the financial statements section of my report.

4. I am independent of the public entity in accordance with the International code of thics Standards Board for Accountants' *International code of ethics for professional accountants (including International Independence Standards) (*IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of matter

6. I draw attention to the matter below. My opinion is not modified in respect of this matter.

Going concern

Proposed merger

7. As disclosed in note 39 to the financial statements, the proposed merger between the KwaZulu-Natal Film Commission and the KwaZulu-Natal Tourism Authority is currently underway and it is anticipated to be completed by the 31st March 2024.

Other matter

8. I draw attention to the matter below. My opinion is not modified in respect of this matter.

Other Matter: National Treasury Instruction No. 4 of 2022/2023: PFMA Compliance and Reporting Framework

9. On 23 December 2022, National Treasury issued Instruction Note No. 4: PFMA Compliance and Reporting Framework of 2022-23 in terms of section 76(1)(b), (e) and (f), 2(e) and (4)(a) and (c) of the PFMA, which came into effect on 3 January 2023. The PFMA Compliance and Reporting Framework also addresses the disclosure of unauthorised expenditure, irregular expenditure and fruitless and wasteful expenditure. Among the effects of this framework is that irregular and fruitless and wasteful expenditure incurred in previous financial years and not addressed is no longer disclosed in the disclosure notes of the annual financial statements, only the current year and prior year figures are disclosed in note 35 to the financial statements. The movements in respect of irregular expenditure and fruitless and wasteful expenditure

are no longer disclosed in the notes to the annual financial statements of KwaZulu-Natal Film Commission. The disclosure of these movements (e.g. condoned, recoverable,removed, written off, under assessment, under determination and under investigation) are now required to be included as part of other information in the annual report of the auditees.

I do not express an opinion on the disclosure of irregular expenditure as well as fruitless and wasteful expenditure in the annual report.

Responsibilities of the accounting authority for the financial statements

10. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with SA Standards of GRAP and the requirements of the PFMA and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

11. In preparing the financial statements, the accounting authority is responsible for assessing the public entity's ability to continue as a going concern; disclosing, as applicable, matters relating to going concern; and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the public entity or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the auditor-general for the audit of the financial statements

12. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

13. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Report on the annual performance report

14. In accordance with the Public Audit Act of South Africa No. 25 of 2004 (PAA) and the general notice issued in terms thereof, I must audit and report on the usefulness and reliability of the reported performance information against predetermined objectives for the selected material performance indicators presented in the annual performance report. The accounting authority is responsible for the preparation of the annual performance report.

15. I selected the following material performance indicators related to programme 3 – marketing and industry development presented in the annual performance report for the year ended 31 March 2023. I selected those indicators that measure the public entity's performance on its primary mandated functions and that are of significant national, provincial, community or public interest.

- Percentage of people selected to attend markets and festivals (delegation) from the designated groups
- Percentage of film fund projects awarded funding to designated groups
- Number of isiZulu Made- for- TV movies awarded funding in development and production
- Number of productions awarded funding through KZNFC film fund
- Number of development projects awarded funding through KZNFC film fund
- Number of temporary jobs created through KZNFC film fund
- Number of co-productions within the African continent
- Number of international productions shooting in KZN
- Percentage of KZN crew employed on KZNFC funded projects

16. I evaluated the reported performance information for the selected material performance indicators against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using these criteria, it provides useful and reliable information and insights to users on the public entity's planning and delivery on its mandate and objectives.

17. I performed procedures to test whether:

- the indicators used for planning and reporting on performance can be linked directly to the public entity's mandate and the achievement of its planned objectives
- the indicators are well defined and verifiable to ensure that they are easy to understand and apply consistently and that I can confirm the methods and processes to be used for measuring achievements
- the targets linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated
- the indicators and targets reported on in the annual performance report are the same as what was committed to in the approved initial or revised planning documents
- the reported performance information is presented in the annual performance report in the prescribed manner
- there is adequate supporting evidence for the achievements reported and for the reasons provided for any over- or underachievement of targets.

18. I performed the procedures for the purpose of reporting material findings only.

19. I did not identify any material findings on the reported performance information for the selected material performance indicators.

Other matter

20. I draw attention to the matter below.

Achievement of planned targets

21. The annual performance report includes information on the reported achievements against planned targets and provides explanations for over- and under-achievements.

Report on compliance with legislation

22. In accordance with the PAA and the general notice issued in terms thereof, I must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The accounting authority is responsible for the public entity's compliance with legislation.

23. I performed procedures to test compliance with selected requirements in key legislation in accordance with the findings engagement methodology of the Auditor-General of South Africa (AGSA). This engagement is not an assurance engagement. Accordingly, I do not express an assurance opinion or conclusion.

24. Through an established AGSA process, I selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the public entity, clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.

25. I did not identify any material non-compliance with the selected legislative requirements.

Other information in the annual report

26. The accounting authority is responsible for the other information included in the annual report. The other information referred to does not include the financial statements, the auditor's report and those selected material indicators in the scoped-in programme presented in the annual performance report have been specifically reported on in this auditor's report.

27. My opinion on the financial statements, the report on the audit of the annual performance report and the report on compliance with legislation do not cover the other information included in the annual report and I do not express an audit opinion or any form of assurance conclusion on it.

28. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the financial statements and the selected material indicators in the scoped-in programme presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

29. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected, this will not be necessary.

Internal control deficiencies

30. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.

31. I did not identify any significant deficiencies in internal control.

Other reports

32. I draw attention to the following engagement conducted by the below-named party. This report did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.

33. The Special Investigating Unit is currently investigating possible irregular expenditure regarding the investment in 2018 by the KwaZulu-Natal Film Commission in the KZN Studio (Pty) Ltd. The latest development on the investigation is that the Department of Justice submitted the motivation to the president's office on the 04th April 2023 for issuing of a proclamation.

Auditor-General

Pietermaritzburg
31 July 2023

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure to the auditor's report

The annexure includes the following:

- the auditor-general's responsibility for the audit
- the selected legislative requirements for compliance testing.

Auditor-general's responsibility for the audit

Professional judgement and professional scepticism

As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on reported performance information for selected material performance indicators and on the public entity's compliance with selected requirements in key legislation.

Financial statements

In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the public entity's internal control

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made

- conclude on the appropriateness of the use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the public entity to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a public entity to cease operating as a going concern

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

- I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit

- I also provide the accounting authority with a statement that I have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

Selected legislation and regulations	Consolidated firm level requirements
Public Finance Management Act No.1 of 1999 (PFMA)	Section 51(1)(a)(iv); 51(1)(b)(ii); 51(1)(e)(iii) Section 53(4) Section 55(1)(a); 55(1)(b); 55(1)(c)(i) Section 56(1); 56(2) Section 57(b);
Treasury Regulations for departments, trading entities, constitutional institutions and public entities (TR)	Regulation 8.2.1; 8.2.2 Regulation 16A 3.2; 16A 3.2(a); 16A 6.1; 16A6.2(a) & (b); 16A 6.3(a); 16A 6.3(a)(i); 16A 6.3(b); 16A 6.3(c); 16A 6.3(e); 16A 6.4; 16A 6.5; 16A 6.6; 16A 8.3; 16A 8.4; 16A9.1(b)(ii); 16A 9.1(d); 16A 9.1(e); 16A9.1(f); 16A 9.2(a)(ii) Regulation 30.1.1; 30.1.3(a); 30.1.3(b); 30.1.3(d); 30.2.1 Regulation 31.1.2(c'); Regulation 33.1.1; 33.1.3
Public service regulation	Public service regulation 13(c);18; 18 (1) and (2);
PRECCA	Section 29; 34(1)
CIDB Act	Section 18(1)
CIDB Regulations	CIDB regulation 17; 25(1); 25 (5) & 25(7A)
PPPFA	Section 1(i); 2.1(a); 2.1(b); 2.1(f)
PPR 2017	Paragraph 4.1; 4.2 Paragraph 5.1; 5.3; 5.6; 5.7 Paragraph 6.1; 6.2; 6.3; 6.5; 6.6; 6.8 Paragraph 7.1; 7.2; 7.3; 7.5; 7.6; 7.8 Paragraph 8.2; 8.5 Paragraph 9.1; 9.2 Paragraph 10.1; 10.2 Paragraph 11.1; 11.2 Paragraph 12.1 and 12.2
PPR 2022	Paragraph 3.1 Paragraph 4.1; 4.2; 4.3; 4.4 Paragraph 5.1; 5.2; 5.3; 5.4
PFMA SCM Instruction no. 09 of 2022/2023	Paragraph 3.1; 3.3 (b); 3.3 (c); 3.3 (e); 3.6
National Treasury Instruction No.1 of 2015/16	Paragraph 3.1; 4.1; 4.2
NT SCM Instruction Note 03 2021/22	Paragraph 4.1; 4.2 (b); 4.3; 4.4; 4.4 (a); 4.4(c); 4.4(d); 4.6 Paragraph 5.4 Paragraph 7.2; 7.6
NT SCM Instruction 4A of 2016/17	Paragraph 6
NT SCM Instruction Note 03 2019/20	Paragraph 5.5.1(vi); 5.5.1(x)

Selected legislation and regulations	Consolidated firm level requirements
NT SCM Instruction Note 11 2020/21	Paragraph 3.1; Paragraph 3.4(a); 3.4(b) Paragraph 3.9 Paragraph 6.1; 6.2; 6.7
NT SCM Instruction note 2 of 2021/22	NT SCM Instruction note 2 of 2021/22
PFMA SCM Instruction 04 of 2022/23	Paragraph 4(1) Paragraph 4(2) Paragraph 4(4)
Practice Note 5 of 2009/10	Paragraph 3.3
PFMA SCM instruction 08 of 2022/23	Paragraph 3.2 Paragraph 4.3.2; 4.3.3
Competition Act	Section 4(1)(b)(ii)
NT instruction note 4 of 2015/16	Paragraph 3.4
NT instruction 3 of 2019/20 - Annexure A	Section 5.5.1 (iv) and (x)
Second amendment of NTI 05 of 2020/21	Paragraph 4.8; 4.9; 5.1; 5.3
Erratum NTI 5 of 202/21	Paragraph 1
Erratum NTI 5 of 202/21	Paragraph 2
Practice note 7 of 2009/10	Paragraph 4.1.2
Practice note 11 of 2008/9	Paragraph 3.1 Paragraph 3.1(b)
NT instruction note 1 of 2021/22	Paragraph 4.1
Public Service Act	Section 30(1)

General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	To promote and market the province as a global destination for film production and facilitate the development of the industry through strategic initiatives.
Registered office	10th Floor, Musgrave Towers 115 Musgrave Road Durban 4001
Bankers	ABSA
Auditors	Auditor General of South Africa (AGSA) Registered Auditors

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The reports and statements below, comprise the annual financial statements presented to the provincial legislature:

Board Members' Responsibilities and Approval

Section 55 (1) (a) of the Public Finance Management Act (Act 1 of 1999) requires the Board to maintain full and proper records of the financial affairs of the public entity. The Board, therefore is required to satisfy themselves that the content and integrity of the financial information presented in this report is of the acceptable standards. It is the responsibility of the Board members to ensure that the annual financial statements fairly present the state of affairs of the entity and the results of its operations and cash flows as at the end of 31 March 2023. The external auditors are engaged to express an independent opinion on the annual financial statements and were given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The members acknowledge that they are ultimately responsible for the system of internal financial control established by the entity and place considerable importance on maintaining a strong control environment. To enable the members to meet these responsibilities, the board set standards for internal control aimed at reducing the risk of error or deficit in a cost- effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the entity and all employees are required to maintain the highest ethical standards in ensuring the entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the entity is on identifying, assessing, managing and monitoring all known forms of risk across the entity. While operating risk cannot be fully eliminated, the entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within the predetermined procedures and constraints.

The members are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

Notwithstanding the merger process between KwaZulu-Natal Film Commission (KZNFilm) and Tourism KwaZulu-Natal, the members have reviewed the entity's cash flow forecast for the year to 31 March 2024 and, in the light of this review and the current financial position, they are satisfied that the entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

The entity is wholly dependent on the KwaZulu-Natal-Department of Economic Development, Tourism and Environmental Affairs (EDTEA) for continued funding of operations. The annual financial statements are prepared on the basis that the entity is a going concern and that the entity has neither the intention nor the need to liquidate or curtail materially the scale of the entity.

Although board are primarily responsible for the financial affairs of the entity, they are supported by the entity's external auditors.

The external auditors are responsible for independently reviewing and reporting on the reliability and accuracy of the entity's annual financial statements. The annual financial statements have been reviewed by the entity's external auditors.

The annual financial statements set out on pages 77 to 130, which have been prepared on the going concern basis, were approved by the board on 29 May 2023 and were signed on its behalf by:

BM Malange	**VO Senna**
Chairperson of the Board	Acting Chief Executive Officer

Audit and Risk Committee Report

We are pleased to present our report for the financial year ended 31 March 2023.

Audit and Risk Committee responsibility

The Audit and Risk Committee reports that it has complied with its responsibilities arising from section 77 of the PFMA and Treasury Regulation 3.1. The Audit and Risk Committee also reports that it has adopted appropriate Audit and Risk Committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The effectiveness of internal control

The system of internal controls applied by the entity over financial and risk management is effective, efficient and transparent. In line with the PFMA and the King IV Report on Corporate Governance Requirements, Internal Audit provides the Audit and Risk Committee and Management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions suggested, enhancements to the controls and processes. From the various reports of the Internal Auditors, it was noted that no matters were reported that indicate any material deficiencies in the system of internal control or any deviations therefrom. Accordingly, we can report that the system of internal control over financial reporting for the period under review was efficient and effective.

The Audit and Risk Committee is satisfied with the content and quality of quarterly reports prepared and issued by the management of the entity during the year under review.

Evaluation of annual financial statements

The Audit and Risk Committee has:
- reviewed and discussed the audited annual financial statements to be included in the report, with External Auditors and Members of the Board;
- reviewed changes in accounting policies and practices;
- reviewed the entities compliance with legal and regulatory, provisions and
- reviewed significant adjustments resulting from the audit.

The Audit and Risk Committee concurs with and accepts the External Auditor's report on the annual financial statements, and is of the opinion that the audited annual financial statements should be accepted and read together with the report of
the External Auditor's report.

Internal audit

The Audit and Risk Committee is satisfied that the Internal Audit function is operating effectively and that it has addressed the risks pertinent to the entity. Risk based audits were conducted to ensure sound internal controls were implemented during the year under review.

Auditor-General of South Africa

The Audit and Risk Committee has met with the Auditor-General of South Africa to ensure that there are no unresolved issues.

Linda Ngcobo

Chairperson of the Audit and Risk Committee

Date: 31/07/2023

Board Members Report

The Board members submit their report for the year ended 31 March 2023.

1. Incorporation

The entity was incorporated on 09 September 2010. The KwaZulu-Natal Film Commission (KZNFilm) commenced its operations on 01 October 2013.

2. Review of activities

Main business and operations

The entity is engaged in promoting and marketing the KwaZulu-Natal province as a global destination for film productions. The entity operates principally in South Africa.

The operating results and state of affairs of the entity are fully set out in the attached annual financial statements and do not in our opinion, require any further comment.

Net deficit of the entity as at 31 March 2023 was R28 490 486 (2022: deficit R 8 401 380),

The objectives as defined by the KwaZulu-Natal Film Commission Act, No. 3 of 2010 are:
- to promote and market the Province as a global destination for film production;
- to develop, promote and market, locally, nationally and internationally the film industry in the Province;
- to facilitate investment in the film industry in the Province;
- to provide and encourage the provision of opportunities for persons, especially from disadvantaged communities, to enter and participate in the film industry in the Province;
- to address historical imbalances in the infrastructure and in the distribution of skills and resources in the film industry in the Province; and
- to contribute to an enabling environment for job creation in the film industry in the Province.

3. Going concern

We draw attention to the fact that as at 31 March 2023, the entity had an accumulated surplus of R42 677 134 and that the entity's total assets exceed its liabilities by R42 677 134.

Notwithstanding the anticipated merger of KZNFilm and Tourism KwaZulu-Natal as communicated by the Shareholder, the annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

4. Subsequent events

The Board is not aware of any matters or circumstances arising since the end of the financial year.

5. Board members' interest in contracts

Board Members are required to declare any conflict of interest during the meetings. As at 31 March 2023, there was one conflict of interest declared by the former Deputy Chair of the board, Mr. J Wills. His interest was in one of the Productions
funded by the entity.

6. Accounting policies

The annual financial statements are prepared in accordance with the South African Statements of Generally Recognised Accounting Practice (GRAP), including any interpretations of such Statements issued by the Accounting Standards Board, and in accordance with the prescribed Standards of (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

Board Members Report

7. Board members

The Board members of the entity during the year and to the date of this report are as follows:

Name	Position within the board	Date of appointment
BM Malange	Chairperson (1 December 2019)	01 February 2013
L Ngcobo	Audit and Risk Committee Chairperson	08 August 2021
L Berning	Human Resources and Social Ethics Committee Chairperson	01 February 2013
M Mzimela	Member	01 February 2013
N Mthembu	Member	01 February 2013
J Wills	Deputy Chairperson	08 July 2021
S Zondi	Member	01 August 2021
VO Senna	Acting Chief Executive	01 April 2022

Executive management

VO Senna	Acting Chief Executive Officer	01 April 2022
NC Thanjekwayo	Acting Chief Financial Officer	01 April 2022
JM Motsepe	Chief Operations Officer	01 February 2014

8. Secretary

Tamryne Damons provided secretarial duties from 31 December 2022 to 31 March 2023.

9. Members meetings

Board of directors

The Board:
- retains full control over the entity, its plans and strategy;
- acknowledges its responsibilities as to strategy, compliance with internal policies, external laws and regulations, effective risk management and performance measurement, transparency and effective communication both internally and externally by the entity;
- is of a unitary structure comprising:
  - non-executive directors, all of whom are independent directors as defined in the Code, and
  - executive directors.
- Non-executive directors have access to all members of management of the entity

Chairperson and Chief Executive Officer

The Chairperson is a non-executive and independent Board Member as defined by the PFMA and the King Code of Good Corporate Governance.

The roles of Chairperson and Chief Executive are separate, with responsibilities divided between them, so that no individual has unfettered powers of discretion in line with the Board's Charter.

10. Bankers

ABSA Limited

11. Auditors

Auditor General of South Africa (AGSA).

Statement of Financial Position as at 31 March 2023

Figures in Rand	Note(s)	2023	2022
Assets			
Current Assets			
Receivables from exchange transactions	3	543 149	443 699
Receivables from non-exchange transactions	4	236	236
Cash and cash equivalents	5	35 881 457	60 919 514
Prepayments	6	797 921	279 287
Operating lease asset	10	-	151 255
		37 222 763	**61 793 991**
Non-Current Assets			
Property, plant and equipment	7	1 317 188	1 698 009
Intangible asset	8	35 524	75 482
Investments in associates	9	13 220 460	12 548 102
		14 573 172	**14 321 593**
Total Assets		**51 795 935**	**76 115 584**
Liabilities			
Current Liabilities			
Payables from exchange transactions	11	6 467 756	2 803 261
Payables from non-exchange transactions	12	44 743	42 764
Provisions	13	2 606 302	2 101 939
		9 118 801	**4 947 964**
Total Liabilities		**9 118 801**	**4 947 964**
Net Assets		**42 677 134**	**71 167 620**
Accumulated surplus		42 677 134	71 167 620

Statement of Financial Performance

Figures in Rand	Note(s)	2023	2022
Revenue			
Revenue from exchange transactions			
Rendering of services	15	29 953	24 859
Rental of facilities and equipment	16	234 508	197 544
Interest received - investment	17	3 058 963	1 958 153
Other income	18	603 298	1 605 502
Impairment loss reversal	26	672 358	-
Total revenue from exchange transactions		**4 599 080**	**3 786 058**
Revenue from non-exchange transactions			
Transfer revenue			
Government grants and subsidies	19	85 705 000	84 082 000
Total revenue	14	**90 304 080**	**87 868 058**
Expenditure			
Board and committee members costs	20	(1 537 242)	(1 176 528)
Employee related costs	21	(34 062 089)	(34 897 725)
Marketing and projects	22	(18 058 827)	(3 278 637)
Depreciation and amortisation	23	(887 253)	(1 373 058)
Impairment loss on projects	24	(1 500 000)	-
Operating expenses	25	(18 366 643)	(15 638 175)
Audit fees	27	(1 482 311)	(1 239 596)
Production and development costs	28	(42 242 498)	(35 276 843)
Bad debts written off		-	(31 042)
Research and development	29	(644 303)	(584 898)
Loss on disposal of assets and liabilities	7	(13 400)	(321 038)
Impairment loss reversal	26	-	(2 451 898)
Total expenditure		**(118 794 566)**	**(96 269 438)**
Deficit for the year		**(28 490 486)**	**(8 401 380)**

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 April 2021		
Changes in net assets	**79 569 000**	**79 569 000**
Deficit for the year	(8 401 380)	(8 401 380)
Total changes	(8 401 380)	(8 401 380)
Balance at 01 April 2022	**71 167 620**	**71 167 620**
Changes in net assets		
Deficit for the year	(28 490 486)	(28 490 486)
Total changes	(28 490 486)	(28 490 486)
Balance at 31 March 2023	**42 677 134**	**42 677 134**

Cash Flow Statement

Figures in Rand	Note(s)	2023	2022
Cash flows from operating activities			
Receipts			
Grants		**85 705 000**	**84 082 000**
Interest received - investment		2 893 880	1 958 153
Other receipts		933 392	2 206 447
		89 532 272	88 246 600
Payments			
Employee costs		(33 555 746)	(32 803 143)
Other payments		(79 034 706)	(59 794 397)
		(112 590 452)	(92 597 540)
Net cash flows from operating activities	30	**(23 058 180)**	**(4 350 940)**
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(511 651)	(1 303 938)
Proceeds from sale of property, plant and equipment	7	31 774	-
Loan to film fund project		(1 500 000)	-
Net cash flows from investing activities		**(1 979 877)**	**(1 303 938)**
Net increase/(decrease) in cash and cash equivalents		**(25 038 057)**	**(5 654 878)**
Cash and cash equivalents at the beginning of the year		60 919 514	66 574 392
Cash and cash equivalents at the end of the year	5	**35 881 457**	**60 919 514**

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between- final budget and actual	Refer- ence
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Rendering of services	-	-	**-**	29 953	**29 953**	41.1
Rental of facilities and equipment	-	219 900	**219 900**	234 508	**14 608**	41.2
Other income	-	3 107 900	**3 107 900**	603 298	**(2 504 602)**	41.3
Interest received - investment	-	2 290 000	**2 290 000**	3 058 963	**768 963**	41.4
Total revenue from exchange transactions	**-**	**5 617 800**	**5 617 800**	**3 926 722**	**(1 691 078)**	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	83 855 000	1 850 000	**85 705 000**	85 705 000	-	41.5
Roll Over funds 2021/22	-	60 919 391	**60 919 391**	60 919 391	-	
Total revenue from nonexchange transactions	**83 855 000**	**62 769 391**	**146 624 391**	**146 624 391**	**-**	
Total Revenue	**83 855 000**	**68 387 191**	**152 242 191**	**150 551 113**	**(1 691 078)**	
Expenditure						
Employee related costs	(32 076 927)	(2 872 953)	**(34 949 880)**	(34 062 089)	**887 791**	41.6
Board and committee members costs	(1 221 119)	(380 155)	**(1 601 274)**	(1 537 242)	**64 032**	41.7
Marketing and projects	(12 677 388)	(2 621 865)	**(15 299 253)**	(18 058 827)	**(2 759 574)**	41.8
Audit fees	(1 304 835)	(266 612)	**(1 571 447)**	(1 482 311)	**89 136**	41.9
Depreciation and amortisation	-	-	**-**	(887 253)	**(887 253)**	41.10
Impairment loss on Projects	-	-	**-**	(1 500 000)	**(1 500 000)**	41.18
Finance costs	-	-	**-**	-	**-**	41.11
Research and development	(800 000)	98 000	**(702 000)**	(644 303)	**57 697**	41.12

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis						
Repairs and maintenance	(312 500)	(279 449)	**(591 949)**	(314 427)	**277 522**	41.13
Production and development costs	(19 845 706)	(56 904 234)	**(76 749 940)**	(42 242 498)	**34 507 442**	41.14
Operating expenses	(14 916 526)	(4 762 774)	**(19 679 300)**	(18 052 216)	**1 627 084**	41.15
Total expenditure	**(83 155 001)**	**(67 990 042)**	**(151 145 043)**	**(118 781 166)**	**32 363 877**	
Operating surplus	699 999	397 149	**1 097 148**	31 769 947	**30 672 799**	
Loss on disposal of assets and liabilities	-	-	**-**	(13 400)	(13 400)	41.16
Impairment loss reversal	-	-	**-**	672 358	**672 358**	41.19
	-	**-**	**-**	**658 958**	**658 958**	
Surplus for the year from	**699 999**	**397 149**	**1 097 148**	**32 428 905**	**31 331 757**	
Capex	(700 000)	(177 250)	(877 250)	(511 651)	365 599	41.17
Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Refer-ence
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(1)**	**219 899**	**219 898**	**31 917 254**	**31 697 356**	

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 91(1) of the Public Finance Management Act (Act 1 of 1999).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise.

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the entity.

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the entity will continue to operate as a going concern for at least the next 12 months.

1.3 Comparative figures

Current year comparatives (Budget)

Budget information in accordance with GRAP 1 and 24, has been complied with, and the detailed budget will be attached to the Financial Statements.

Prior year comparatives

When the presentation or classification of items in the Financial Statements is amended, prior period comparative amounts are also reclassified and restated, unless such comparative reclassification and/ or restatement is not required by a Standard of GRAP. The nature and reason for such reclassifications and restatements are also disclosed.

Where material accounting errors, which relate to prior periods, have been identified in the current year, the correction is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as it is practicable and the prior year comparatives are restated accordingly.

1.4 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgments include:

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of valuein- use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the inputs used in arriving at an assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets.

Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including [list entity specific variables, i.e.,production estimates, supply demand], together with economic factors such as [list economic factors such as exchange rates inflation interest].

Provisions

Provisions are measured as at the present value of the estimated future outflows required to settle the obligation. In the process of determining the best estimate of the amounts that will be required in the future to settle the provision management considers the weighted average probability of the potential outcomes of the provisions raised. The measurement entails determining what the different potential outcomes are for a provision as well as the financial impact of each of those potential outcomes based on the probability that the outcome will materialise in the future. The factor is then applied to each of the potential outcomes and the factored outcomes are then added together to arrive at the weighted average value of the provisions.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

Depreciation and amortisation

Depreciation and amortisation recognised on property, plant and equipment and intangible assets are determined with reference to the useful lives and residual values of the underlying items. The useful lives and residual values of assets are based on management's estimation of an asset's condition, expected condition at the end of the period of use, its current use, expected future use and the entity's expectations about the availability of finance to replace the asset at the end of its useful life. In evaluating the condition and use of the asset informs the useful life and residual value management considers the impact of technology and minimum service requirements of the assets.

Estimates

Estimates are informed by historical experience, information currently available management, assumptions, and other factors that are believed to be reasonable under the circumstances. These estimates are reviewed on a regular basis. Changes in estimates that are not due to errors are processed in the period of the review and applied prospectively.

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Impairments of non-financial assets

In testing for, and determining the value in use of non-financial assets, management is required to rely on the use of estimates about an asset's ability to continue to generate cash flows (in the case of cash generating assets). For non-cash generating assets, estimates are made regarding the depreciated replacement cost, restoration cost, or service units of the asset, depending on the nature of the impairment and the availability of information.

1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Accounting Policies

1.5 Property, plant and equipment (continued)

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Furniture and fixtures	Straight line	6 - 10 years
Office equipment	Straight line	5 - 9 years
IT equipment	Straight line	3 - 10 years
Leasehold improvements	Straight line	5 years and 3 months (lease period)
Production and development equipment	Straight line	2 - 8 years

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the entity. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The entity assesses at each reporting date whether there is any indication that the entity expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the entity revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no future economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the entity holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

Accounting Policies

1.6 Intangible assets

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the entity; and
- the cost or fair value of the asset can be measured reliably.

The entity assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight-line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result, the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight-line basis, to their residual values as follows:

Item	Depreciation method	Average useful life
Computer software, other	Straight line	3 - 7 years

The entity discloses relevant information relating to assets under construction or development, in the notes to the financial statements.

Accounting Policies

1.7 Investments in associates

An investment in an associate is carried at cost as per GRAP 36.

The entity applies the same accounting for each category of investment.

The entity recognises a dividend or similar distribution in surplus or deficit in its separate annual financial statements when its right to receive the dividend or similar distribution is established.

Definition

Associate is an entity, including an unincorporated entity such as a partnership, over which the investor has significant influence and that is neither a controlled entity nor an interest in a joint venture.

Significant influence

If an investor holds, directly or indirectly (e.g., through controlled entities), 20 per cent or more of the voting power of the investee, it is presumed that the investor has significant influence, unless it can be clearly demonstrated that this is not the case. Conversely, if the investor holds, directly or indirectly (e.g., through controlled entities), less than 20 per cent of the voting power of the investee, it is presumed that the investor does not have significant influence, unless such influence can be clearly demonstrated. A substantial or majority ownership by another investor does not necessarily preclude an investor from having significant influence.

Initial recognition

The investment in an associate is initially recorded at cost (including transaction costs directly attributable to the acquisition of the investment) and the carrying amount is increased or decreased to recognise the investor's share of surplus or deficit of the investee after the date of acquisition. The investor's share of the surplus or deficit of the investee is recognised in the investor's surplus or deficit.

Subsequent

Distributions received from an investee reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the investor's proportionate interest in the investee arising from changes in the investee's net assets that have not been recognised in the investee's surplus or deficit. Such changes include those arising from the revaluation of property, plant, equipment and from foreign exchange translation differences. The investor's share of those changes is recognised directly in net assets of the investor.

Impairment

The entire carrying amount of an investment is tested for impairment in accordance with the Standards of GRAP on Impairment of Cash-generating Assets (GRAP 26) or Impairment of Non-cash-generating Assets (GRAP 21) for impairment as a single amount, by comparing its recoverable amount or recoverable service amount (higher of value in use and fair value less costs to sell) with its carrying amount, whenever application of the requirements in GRAP 104 indicates that the investment may be impaired. Investments in Associates any asset that forms part of the carrying amount of the investment in the associate. Accordingly, any reversal of that impairment loss is recognised in accordance with GRAP 26 and GRAP 21 to the extent that the recoverable service amount or recoverable amount of the investment subsequently increases.

De-recognition

When the significant influence over an associate is lost, the entity will derecognise that associate and recognise in profit or loss the difference between the sum of the proceeds received and any retained interest, and the carrying amount of the investment in the associate at the date significant influence is lost.

Accounting Policies

1.8 Financial instruments

Initial recognition and measurement

The entity recognises a financial asset or a financial liability in its Statement of Financial Position when, and only when, the entity becomes a party to the contractual provisions of the instrument. This is achieved through the application of trade date accounting.

Upon initial recognition the entity classifies financial instruments or their component parts as a financial liabilities, financial assets or residual interests in conformity with the substance of the contractual arrangement and to the extent that the instrument satisfies the definitions of a financial liability, a financial asset or a residual interest.

Financial instruments are evaluated, based on their terms, to determine if those instruments contain both liability and residual interest components (i.e., to assess if the instruments are compound financial instruments). To the extent that an instrument is in fact a compound instrument, the components are classified separately as financial liabilities and residual interests as the case may be.

Initial Measurement

When a financial instrument is recognised, the entity measures it initially at its fair value plus, in the case of a financial asset or a financial liability not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent measurement

Subsequent to initial recognition, financial assets and financial liabilities are measured at fair value, amortised cost or cost.

Impairment of financial assets

All financial assets measured at amortised cost, or cost, are subject to an impairment review. The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

For financial assets held at amortised cost:

The entity first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant and individually or collectively for financial assets that are not individually significant. If the entity determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in the collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtors credit rating), the previously recognised impairment loss shall be reversed either directly or by adjusting an allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortised cost would have

Accounting Policies

1.8 Financial instruments (continued)

been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

For financial assets held at cost

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Derecognition

These financial assets are classified as loans and receivables.

A financial asset is derecognised at trade date, when:
a) The cash flows from the asset expire, are settled or waived;
b) Significant risks and rewards are transferred to another party; or
c) Despite having retained significant risks and rewards, the entity has transferred control of the asset to another entity.

A financial liability is derecognised when the obligation is extinguished. Exchanges of debt instruments between a borrower and a lender are treated as the extinguishment of an existing liability and the recognition of a new financial liability. Where the terms of an existing financial liability are modified, it is also treated as the extinguishment of an existing liability and the recognition of a new liability.

Receivable from exchange and non-exchange transactions

Trade and other receivables are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition and subsequently stated at amortised cost, less provision for impairment. All trade and other receivables are assessed at least annually for possible impairment. Impairments of trade and other receivables are determined in accordance with the accounting policy for impairments. Impairment adjustments are made through the use of an allowance account.

Bad debts are written off in the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the reporting date are classified as current. Interest is charged on overdue accounts.

Payables from exchange and non-exchange transactions

Trade payables are initially measured at fair value plus transaction costs that are directly attributable to the acquisition and are subsequently measured at amortised cost using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents are measured at amortised cost.

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the Cash Flow Statement, cash and cash equivalents comprise cash on hand and deposits held on call with banks.

Accounting Policies

1.8 Financial instruments (continued)

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired or through the amortisation process.

Offsetting

The entity does not offset financial assets and financial liabilities in the Statement of Financial Position except where offsetting is required or permitted by GRAP.

1.9 Statutory receivables

Identification

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

Carrying amount is the amount at which an asset is recognised in the statement of financial position.
The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

The transaction amount (for purposes of this Standard) for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

1.10 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership.
A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The entity does not enter into finance leases that attract finance charges.

Operating leases - lessee

Operating lease payments are recognised as lease expense on a straight-line basis over the lease term.
Operating lease commitments disclosure includes a contingent rental.

Accounting Policies

1.11 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

Useful life is either:
- the period of time over which an asset is expected to be used by the entity; or
- the number of production or similar units expected to be obtained from the asset by the entity.

Judgements made by management in applying the criteria to designate assets as cash-generating assets or non-cash generating assets, are as follows:

Designation

At initial recognition, the entity designates an asset as non-cash-generating, or an asset or cash-generating unit as cashgenerating.

The designation is made on the basis of an entity's objective of using the asset.

The entity designates an asset or a cash-generating unit as cash-generating when:
- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
- the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cashgenerating asset or non-cash-generating asset based on whether the entity expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate commercial return, the entity designates the asset as a non-cash-generating asset and applies the accounting policy on Impairment of Non-cash-generating assets, rather than this accounting policy.

Accounting Policies

1.11 Impairment of cash-generating assets (continued)

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The entity assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the entity estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the entity estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the entity applies the appropriate discount rate to those future cash flows.

Basis for estimates of future cash flows

In measuring value in use, the entity:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the entity recognises a liability only to the extent that is a requirement in the Standard of GRAP.

Accounting Policies

1.11 Impairment of cash-generating assets (continued)

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.12 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

1.13 Prepayments

The entity recognises an asset if it has prepaid an expense, but does not yet have a present obligation to pay that expenditure.

1.14 Employee benefits

Short-term employee benefits

Short-term employee benefits encompass all those benefits that become payable in the short term, i.e., within a financial year or within 12 months of the financial year. Therefore, short-term employee benefits include remuneration, compensated absences and bonuses.

Short-term employee benefits are recognised in the Statement of Financial Performance as services are rendered, except for non-accumulating benefits, which are recognised when the specific event occurs. These short-term employee benefits are measured at their undiscounted costs in the period the employee renders the related service or the specific event occurs.

Defined contribution plans

The entity operates a defined contribution plan in the form of a provident fund scheme, covering all qualifying employees. The assets of the scheme are held separately from those of the entity and are administered by the scheme's trustees. The entity's contributions to the defined contribution fund are included in the staff costs and charged to the Statement of Financial Performance during the year to which they relate.

1.15 Provisions and contingencies

Provisions are recognised when:

- the entity has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Accounting Policies

1.15 Provisions and contingencies (continued)

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time.

This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.
Provisions are not recognised for future operating surplus (deficit).

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 32.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The entity recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g., high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the entity for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the entity considers that an outflow of economic resources is probable, an entity recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

Accounting Policies

1.16 Commitments

Items are classified as commitments when the entity has valid contracts that commits it to incur future expenditure that will normally result in outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and

- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.17 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the entity, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

1.18 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing

Accounting Policies

1.18 Revenue from non-exchange transactions (continued)

parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The entity assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow.

Revenue is then only recognised once evidence of the probability of the flow becomes available.
Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, whichever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

Other grants and donations

Other grants and donations are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

1.19 Turnover

Turnover comprises of sales to customers and service rendered to customers. Turnover is stated at the invoice amount and is exclusive of value-added taxation.

1.20 Expenditure

Expenditure reported on the entity's annual financial statements, refers to decreases in economic benefits during the accounting period in the form of outflows or depletions of assets or incurrences of liabilities. Expenditure recorded is

Accounting Policies

1.20 Expenditure (continued)

on accrual basis, expenses are recorded when they are incurred. The entity recognises an asset if it has prepaid an expense, but does not yet have a present obligation to pay that expenditure.

1.21 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised expenditure.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.22 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

(a) this Act; or
(b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
(c) any provincial legislation providing for procurement procedures in that provincial government

National Treasury Instruction note no. 2 of 2019/2020 which was issued in terms of sections 76(2) (e) and 76(4) of the PFMA requires the following (effective from 17 May 2019):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.23 Research and development expenditure

Expenditure on research is recognised as an expense when it is incurred.

Accounting Policies

1.23 Research and development expenditure (continued)

An asset arising from development is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

1.24 Budget information

Entity is typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by entity shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a cash basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2022/04/01 to 2023/03/31.

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are not on the same basis of accounting, the financials are reported on the accrual basis and budgeted amounts are on cash basis for the reporting period and have been included in the Statement of comparison of budget and actual amounts.

1.25 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to

Accounting Policies

1.25 Related parties (continued)

influence, or be influenced by, that management in their dealings with the entity.

The entity is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the entity to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the entity is exempt from the disclosures in accordance with the above, the entity discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

1.26 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The entity will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The entity will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.27 Surplus and Deficit

Gains and losses

Gains and losses arising from fair value adjustments on investments and loans, and from the disposal of assets, are presented separately from other revenue in the Statement of Financial Performance.

Income, expenditure, gains and losses are recognised in surplus or deficit except for the exceptional cases where recognition directly in net assets is specifically allowed or required by a Standard of GRAP.

1.28 Recovery of Irregular, Fruitless and Wasteful expenditure

The recovery of irregular, fruitless and wasteful expenditure is based on legislated procedures, and is recognised when the recovery thereof from the responsible official is probable. The recovery of irregular, fruitless and wasteful expenditure is treated as other income.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the entity has not adopted any standards and interpretations in the current financial year.

2.2 Standards and interpretations issued, but not yet effective

The entity has not applied the any standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 April 2023 or later periods:

• GRAP 104 (amended): Financial Instruments	01 April 2025	Unlikely there will be a material impact

GRAP 104 (amended): Financial Instruments

Following the global financial crisis, a number of concerns were raised about the accounting for financial instruments. This included that (a) information on credit losses and defaults on financial assets was received too late to enable proper decision-making, (b) using fair value in certain instances was inappropriate, and (c) some of the existing accounting requirements were seen as too rules based. As a result, the International Accounting Standards Board® amended its existing Standards to deal with these issues. The IASB issued IFRS® Standard on Financial Instruments (IFRS 9) in 2009 to address many of the concerns raised. Revisions were also made to IAS® on Financial Instruments: Presentation and the IFRS Standard® on Financial Instruments: Disclosures. The IPSASB issued revised International Public Sector Accounting Standards in June 2018 so as to align them with the equivalent IFRS Standards.

The revisions better align the Standards of GRAP with recent international developments. The amendments result in better information available to make decisions about financial assets and their recoverability, and more transparent information on financial liabilities.

The most significant changes to the Standard affect:
- Financial guarantee contracts issued
- Loan commitments issued
- Classification of financial assets
- Amortised cost of financial assets
- Impairment of financial assets
- Disclosures

The effective date of the standard is not yet set by the Minister of Finance.

The entity expects to adopt the standard for the first time when the Minister sets the effective date.

3. Receivables from exchange transactions

	2023	2022
Customer Control Account	176 746	228 717
Debtors with credit balances	5 844	19 506
Sundry Debtors	360 559	195 476
	543 149	**443 699**
Non-current assets	-	-
Current assets	543 149	443 699
	543 149	**443 699**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

3. Receivables from exchange transactions (continued)

Customer control account

- The amount is made up of MICT Seta funding Learnership programme receivable of R169,920 and rental income from KZN Film Commission tenants of R12,670.

Sundry debtors

- The amount of R360,559 relates to the interest earned on the investment bank account for the period under review.

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 31 March 2023, - (2022: -) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	120 600	-
2 months past due	774	-

4. Receivables from non-exchange transactions

Pay-As-You-Earn (PAYE)	236	236

The amount of R236 relates to employee tax deduction where a credit is due to the organisation.

5. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	91	123
Bank balances	1 020 808	506 725
Call account	34 860 558	60 412 666
	35 881 457	**60 919 514**

6. Prepayments

Prepayments	797 921	279 287

Subscriptions & Licences	531 748	-
Rentals	266 173	175 477
Insurance	-	103 810
	797 921	**279 287**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

7. Property, plant and equipment

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Furniture and fixtures	1 575 910	(1 324 067)	251 843	1 697 984	(1 303 765)	394 219
Office equipment	497 484	(341 705)	155 779	490 378	(288 156)	202 222
IT equipment	2 795 202	(2 290 653)	504 549	2 751 813	(2 179 471)	572 342
Leasehold improvements	707 846	(313 329)	394 517	1 146 746	(639 509)	507 237
Production and development equipment	1 569 325	(1 558 825)	10 500	1 591 555	(1 569 566)	21 989
Total	**7 145 767**	**(5 828 579)**	**1 317 188**	**7 678 476**	**(5 980 467)**	**1 698 009**

Reconciliation of property, plant and equipment - 31 March 2023

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	394 219	-	(260)	(142 116)	251 843
Office equipment	202 222	17 250	-	(63 693)	155 779
IT equipment	572 342	494 401	(44 914)	(517 280)	504 549
Leasehold improvements	507 237	-	-	(112 720)	394 517
Production and development equipment	21 989	-	-	(11 489)	10 500
	1 698 009	**511 651**	**(45 174)**	**(847 298)**	**1 317 188**

Reconciliation of property, plant and equipment - 31 March 2022

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	1 061 195	246 213	(296 270)	(616 919)	394 219
Office equipment	244 038	35 000	-	(76 816)	202 222
IT equipment	469 659	459 128	(22 933)	(333 512)	572 342
Leasehold improvements	38 471	563 597	-	(94 831)	507 237
Production and development equipment	128 853	-	(1 835)	(105 029)	21 989
	1 942 216	1 303 938	(321 038)	(1 227 107)	1 698 009

The KZNFilm conducted a useful life estimate on its assets for the period under review and a number of assets were found to be fully depreciated, these assets are still useful due to their conditions and compatibility. The useful life of these assets was extended for another period in aggregate the revalued amount was R80,738.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

8. Intangible assets

	2023			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Computer software, other	1 630 954	(1 595 430)	35 524	2 005 955	(1 930 473)	75 482

Reconciliation of intangible assets - 31 March 2023

	Opening balance	Amortisation	Total
Computer software, other	75 482	(39 958)	35 524

Reconciliation of intangible assets - 31 March 2022

	Opening balance	Amortisation	Total
Computer software, other	221 434	(145 952)	75 482

The KZNFilm conducted a useful life estimate on its assets for the period in review and a number of assets were found to still be useful for another year due to their conditions and compatibility. The carrying amount of those assets at the end of March 2023 was extended was for period which amounted to R34,460.

9. Investments in associates

Name of entity	Unlisted	% holding 2023	% holding 2022	Carrying amount 2023	Carrying amount 2022	Fair value 2023	Fair value 2023
KZN Studio (Pty) Ltd		10.00 %	10.00 %	13 220 460	12 548 102	13 220 460	12 548 102
				13 220 460	12 548 102	13 220 460	12 548 102

The Investment in associate relates to the investment made by the KZNFilm in the establishment of KZN Film Studios. KZNFilm would have a 10% equity in the KZN Studios Company for a period of 3 years, and retain 10% of the seats on the board of KZN Studios until the company became sustainable.

In terms of (GRAP 36.06), an Associate is an entity, including an incorporated entity such as a partnership over which the investor has significant influence and that it is neither a controlled entity nor an interest in a joint venture.

Significant influence is the power to participate in the financial and operating policy decisions of an activity but is not control or joint control over policies.

(GRAP 36.08 & 09) states that if an investor holds directly or indirectly 20% or more of the voting power over the investee, it is presumed that the investor has significant influence unless it can be clearly demonstrated that this is not the case.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

9. Investments in associates (continued)

Conversely, if the investor holds directly or indirectly less than 20% if the voting power of the investee, it is presumed that the investor does not have significant influence unless such influence can be clearly demonstrated.

The existence of significant influence is usually evidenced by one or more of the following ways: (GRAP 36.10)

- Representation on the Board of Directors or equivalent governing body of the investee, the Board members' representation by the KZNFilm was 1 member of the 3 members during the period and there were no meetings due to the project being on hold.

- Participation in policy making processes including participation in decisions about dividends and similar distributions, the KZNFilm has rights at a later stage to transfer the project to a deserving Broad-Based Black entity comprising of emerging film makers.

- Material transactions between the investor and investee, as per the Framework the KZNFilm was committed to contribute R15 million to cater for the first phase of the project. The first phase which includes initial setup, feasibly analysis and other project planning costs.

- Interchange of managerial personnel, board of KZNFilm appointed all 3 executive members as representatives of the KZNFilm in the project and the representation is currently 1 member.

- Provision of essential technical information, according to paragraph 4.5 (2) of the Framework the KZNFilm was to commit and make available resources in assisting the project in completing feasibility studies, business plans and other associated preoperational activities in respect of the project.

In looking at the definition of significant influence the standard goes beyond ownership to include power to participate in the financial and operating policy decisions. KZNFilm has 1 member on the KZN Studio (Pty) Ltd Board in the representation of the board membership and therefore has significant voting rights as well as influence on financial and operating policy decisions.

The framework agreement which governs the relationship further provides that:

- Both parties undertake to conclude on the memorandum of interest and the shareholder agreement

- Yearly contributions for the phases of the project

- KZNFilm is as a co-signatory to the bank account

- KZNFilm is party to establishing all governance matters

Based on the above the KZNFilm concluded that the entity has significant influence over the investee and therefore the investment is disclosed as investment in an associate.

The asset is impaired based on the advice of National Treasury to impair the asset to the value of the recoverable amount as per the latest bank statements and the entity has used the last received bank statements in relation to the KZN Studio (Pty) Ltd.

The entity as at 31 March 2023 processed the liquidation of the KZN Studio (Pty) Ltd and the termination of Framework that was in place. The liquidation of the KZN Studios renders the transaction of no future economic benefits to the entity and funds remaining in the invested entity are to be paid to the KZN Film Commission. The entity that is party

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

to the KZN Studios has not responded to the matters communicated by legal.

9. Investments in associates (continued)

Movements in carrying value

Opening balance	12 548 102	15 000 000
Impairment reversal/(loss)	672 358	(2 451 898)
	13 220 460	**12 548 102**

Investment in associate at 31 March 2023 of R13 220 460 (2022: R12 548 102).

10. Operating lease asset (accrual)

Current assets	-	151 255

11. Payables from exchange transactions

Trade payables	4 906 541	1 743 663
Leave pay provision	902 906	836 888
GRV accrual account	652 465	203 204
Debtors with credit balances	5 844	19 506
	6 467 756	**2 803 261**

The ageing of trade payables as at reporting date is as follows:

The ageing of trade payables as at reporting date is as follows:

30 days	4 906 541	1 512 629
30 - 60 days	-	231 036
	4 906 541	**1 743 665**

12. Payables from non-exchange transactions

Medical Aid	**44 743**	**42 764**

Medical Aid

The medical aid is deducted in arrears, which will be paid in April 2023.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

13. Provisions

Reconciliation of provisions - 2023

	Opening Balance	Additions	Utilised during the year	Total
Other provisions	2 101 939	2 606 302	(2 101 939)	2 606 302

Reconciliation of provisions - 2023

	Opening Balance	Additions	Utilised during the year	Total
Other provisions	2 345 213	2 101 939	(2 345 213)	2 101 939

The provision relates to accounting for bonus provision for the period April 2022 to March 2023 for qualifying employees.

14. Revenue

	2023	2022
Rendering of services	29 953	24 859
Rental of facilities and equipment	234 508	197 544
Other income	603 298	1 605 502
Interest received - investment	3 058 963	1 958 153
Impairment loss reversal	672 358	-
Government grants & subsidies	85 705 000	84 082 000
	90 304 080	**87 868 058**

The amount included in revenue arising from exchanges of goods or services are as follows:

	2023	2022
Rendering of services	29 953	24 859
Rental of facilities and equipment	234 508	197 544
Other income	603 298	1 605 502
Interest received - investment	3 058 963	1 958 153
Impairment loss reversal	672 358	-
	4 599 080	**3 786 058**

The amount included in revenue arising from non-exchange transactions is as follows:

	2023	2022
Transfer revenue		
Government grants & subsidies	85 705 000	84 082 000

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

15. Rendering of services

Services Rendered - KZN Film Cluster	29 953	24 859

Services Rendered

The amount relates to income generated from KZN Film Cluster tenants for parking services.

16. Rental of facilities and equipment

Rental of office space	234 508	196 694
Rental of equipment	-	850
	234 508	**197 544**

Rental Income

Rental income relates to letting of office space and equipment hire at the KZN Film Cluster.

17. Interest received- investment

Interest revenue		
Interest on call account	3 058 963	1 958 153
	3 058 963	1 958 153

18. Other income

Sundry income	22 493	-
Production and development recoveries/ recoupments	157 428	1 222 449
Recoveries and Staff debt	23 604	66 972
Funds- MICT SETA Learnership	399 773	316 081
	603 298	1 605 502

The other income relates to

- The amount of R22,493 relates to staff debt recoveries.

- The amount of R157,428 relates to Production recoupments of various projects.

- The amount of R23,604 relates to recoveries made on Cluster & insurance.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

18. Other income (continued)

- The amount of R399,773 relates to MICT SETA contribution to the Learnership programme.

19. Government grants and subsidies

Operating grants		
Income from EDTEA	83 855 000	81 082 000
Special grant	1 850 000	3 000 000
Total grants released	**85 705 000**	**84 082 000**

20. Board and committee members' costs

Non-executive

31 March 2023

	Members' fees	Committees' fees	Other Payments	Total
BM Malange	216 436	246 522	3 478	466 436
M Mzimela	45 926	121 708	13 180	180 814
L Berning	45 926	71 979	5 287	123 192
J Wills	90 431	170 597	5 121	266 149
S Zondi	45 926	126 389	1 797	174 112
*D Ramuedzisi	-	50 853	884	51 737
*K Simelane	-	43 179	1 644	44 823
L Ngcobo	45 926	184 053	-	229 979
	490 571	1 015 280	31 391	1 537 242

31 March 2022

	Members' fees	Committees' fees	Total
BM Malange	351 457	13 844	365 301
M Mzimela	164 935	70 293	235 228
L Berning	130 893	40 616	171 509
J Wills	157 275	-	157 275
S Zondi	66 369	17 491	83 860
*D Ramuedzisi	-	39 364	39 364
*K Simelane	-	13 844	13 844
L Ngcobo	87 297	22 850	110 147
	958 226	**218 302**	**1 176 528**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

21. Employee related costs

Executive Management	Designation		
CL Coetzee	Chief Executive Officer	124 853	3 893 495
VO Senna (1 April 2022)	Acting Chief Executive Officer	2 405 859	1 868 869
NC Thanjekwayo (1 April 2022)	Acting Chief Financial Officer	1 894 493	-
JM Motsepe	Chief Operations Officer	2 445 489	2 845 922
		6 870 694	**8 608 286**

31 March 2023	Salary	Cellphone Reimbursements	Employer Contributions	Performance Bonus	Total
CL Coetzee	83 129	-	2 869	38 855	124 853
VO Senna	1 927 368	67 200	237 388	173 903	2 405 859
NC Thanjekwayo	1 456 771	31 200	267 375	139 147	1 894 493
JM Motsepe	1 880 800	31 200	349 724	183 765	2 445 489
	5 348 068	**129 600**	**857 356**	**535 670**	**6 870 694**

31 March 2023	Salary	Cellphone Reimbursements	Employer Contributions	Performance Bonus	Total
CL Coetzee	2 984 045	67 200	421 308	420 942	3 893 495
VO Senna	1 506 198	31 200	215 576	115 895	1 868 869
JM Motsepe	2 210 709	31 200	322 347	281 666	2 845 922
	6 700 952	**129 600**	**959 231**	**818 503**	**8 608 286**

Non-Executive Employee Costs		
Cost of Employment	21 791 841	20 345 342
Performance bonus	2 157 801	3 142 053
Company contribution	2 698 855	2 158 827
Cellphone reimbursement	476 879	428 500
Contractors from agencies	-	86 744
Leave expense	66 019	127 972
	27 191 395	**26 289 438**
Total employee related costs	34 062 089	34 897 725

Executive Management

The note refers to disclosure made to executive management allocations for the period, the Acting Chief Financial Officer (ACFO) line does not have a comparative figure as the ACFO in 2022 was not in the executive management but rather on management.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

21. Employee related costs (continued)

Termination benefit

The KZNFilm contributes to the Alexander Forbes Provident Fund. Membership is compulsory for all permanent employees. The fund is a defined contribution plan and the employees contributes 5% as a minimum of the pensionable remuneration. Included in the employee costs disclosed above is an amount paid over for the provident fund (see the table below for
details).

Performance bonus

Performance bonuses paid were in relation to 2022/23 financial year.

Defined provident fund contribution plan. The entity operates a defined contribution plan in the form of a provident fund scheme, covering all qualifying employees. The assets of the scheme are held separately from those of the entity and are administered by the scheme's trustees. The entity's contributions to the defined contribution fund are included in the staff costs and charged to the Statement of Financial Performance during the year to which they relate.

Defined provident fund contribution plan

The entity operates a defined contribution plan in the form of a provident fund scheme, covering all qualifying employees. The assets of the scheme are held separately from those of the entity and are administered by the scheme's trustees. The entity's contributions to the defined contribution fund are included in the staff costs and charged to the Statement of Financial Performance during the year to which they relate.

Executive Management	669 580	863 010
Non- Executive employees	2 235 578	2 196 803
Defined provident fund contribution plan	**2 905 158**	**3 059 813**

22. Marketing and Projects

Marketing and Projects	18 058 827	3 278 637
Advertising and promotions	1 694 261	600 433
Branding and Marketing	4 028 206	1 283 419
Familiarisation tours	166 630	145 546
Locations and facilities	1 004 600	376 830
Simon Mabhunu Sabelo - film festivals	6 044 377	66 700
Special projects -Audience Development - Funding of Film Industry Marketing Support (FIMS))	1 261 988	-
Special projects - film festivals	3 008 764	805 676
Durban Film Festival	850 000	-

23. Depreciation and amortisation

Furniture and fittings	142 116	616 919

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

23. Depreciation and amortisation (continued)

IT Equipment	517 282	333 511
Office equipment	63 693	76 816
Production and Development equipment	11 489	105 029
Leasehold Improvements	112 719	94 831
Software	39 958	145 952
	887 257	**1 373 058**

24. Impairment of assets

Impairments		
Other financial assets	1 500 000	-
The amount of R1,5million, refers to a Film Fund project called Stolen that was loaned, amount has been impaired as at 31 March 2023.		

25. Operating expenses

Advertising	111 008	86 649
Bank charges	47 297	40 025
Cleaning	323 319	339 910
Corporate social initiatives	221 000	200 000
Consulting and professional fees	1 219 006	1 236 777
Fines and penalties	1 193	-
Hire	1 533	83
Insurance	153 572	149 049
IT expenses	4 778 911	3 792 563
File management	131 987	133 043
Postage and courier	100 018	138
Printing and stationery	151 314	104 743
Repairs and maintenance	314 427	667 955
Security	512 858	499 337
Subscriptions and membership fees	224 240	78 192
Telephone and fax	18 210	97 755
Training	645 051	1 092 718
Travel	3 471 152	1 511 982
Non capitalised equipment	2 103	15 456

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

25. Operating expenses (continued)

Electricity	429 604	479 443
Water	210 841	363 241
Recruitment costs	146 434	369 945
Internship programme	1 480 957	883 903
Lease rentals on operating lease	3 440 433	3 396 877
Employee wellness	187 250	95 688
Other expenses	42 925	2 703
	18 366 643	**15 638 175**

26. Impairment

Investment in associates	672 358	(2 451 898)

The asset is adjusted based on the advice of National Treasury to adjust the asset to the value of the recoverable amount as per the latest bank statements. In the prior year the Investment in associate was impaired by R2,451,898. In the current year the impairment loss was reversed by R672,358.

27. Audit fees

External audit fees	1 222 084	1 024 340
Internal audit fees	260 227	215 256
	1 482 311	**1 239 596**

28. Production and development costs

Film production

Film production	25 925 381	26 186 489

The amount relates to projects funded through the KZNFilm- Film Fund. This is to ensure there is an increase in production of film and television in KwaZulu - Natal Province.

Industry Skills Development Project Costs

EDTEA - Special Projects - Youth Incubation	127 013	-
SMME programme and incubation	57 500	-
FITI Project	3 640 563	1 423 595
Stakeholder engagement programmes	-	1 609
Bursaries	5 847 771	1 172 946

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

28. Production and development costs (continued)

Skills development	3 643 431	4 140 269
MICT SETA Learnership	1 208 064	1 632 131
COVID-19 Relief Funds	-	115 974
Industry development workshop- Marketing	198 650	-
Industry skills development- Human Capital	587 400	-
EDTEA Special projects (Production and Development)	1 006 725	603 830
	16 317 117	**9 090 354**

Film production	25 925 381	26 186 489
ISD Projects	16 317 117	9 090 354
Total production and development cost	**42 242 498**	**35 276 843**

29. Research and development

Film industry research	644 303	584 898

30. Cash used in operations

Deficit	(28 490 486)	(8 401 380)
Adjustments for:		
Depreciation and amortisation	887 256	1 373 058
Loss on sale of assets and liabilities	13 400	321 038
Fair value adjustments	(672 358)	2 451 898
Impairment deficit	1 500 000	-
Bad debts written off	-	31 042
Movements in operating lease assets and accruals	151 255	(151 255)
Movements in provisions	504 363	(243 274)
Changes in working capital:		
Receivables from exchange transactions	(99 450)	347 404
Other receivables from non-exchange transactions	-	95
Prepayments	(518 634)	41 970
Payables from exchange transactions	3 664 495	(21 324)
VAT	-	(107 569)
Payables from non-exchange	1 979	7 357
	(23 058 180)	**(4 350 940)**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

31. Risk management

Financial risk management

Capital Management

The entity manages its capital to ensure that the entity will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the assets. The entity's overall strategy remains unchanged. The entity is not subject to any externally imposed capital requirements.

Cash and Cash Equivalents	35 881 457	60 919 514
Prepayments	797 921	279 287
Sundry Debtors	360 559	195 476
Receivables from exchange transactions (Production funding)	182 590	248 223
Receivables from non-exchange transactions	236	236
	37 222 763	**61 642 736**

Liquidity risk

The entity's exposure to liquidity risk is minimal as it is 100% funded by the Department of Economic Development, Tourism and Environmental Affairs. The annual budgets are approved at the beginning of each fiscal year and draw-down as requested at the beginning of each quarter. Cash flows are monitored monthly against budgets and adjustments are made where necessary. Risk management assessments are conducted annually to assist with identifying any possible cash flows, liquidity or other risks.

Credit risk

Credit risk refers to the risk that a counterpart will default on its contractual obligations resulting in financial loss to the entity. Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. Other receivables comprise a widespread counter base. Credit exposure is controlled by the application of the entity's credit control and debt collection policies.

There has been no significant change during the financial year, or since the end of the financial year, to the entity's exposure to credit risk, the approach of measurement or the objectives, policies and processes for managing the risk. The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the entity's maximum exposure to credit risk.

Potential concentration of credit risks consists principally of other trade receivables and short-term cash investments. At year end management did not consider the entity to have significant concentration of credit risk other than short-term investment held with the bank.

Market risk

Interest rate risk

The entity's interest-bearing assets are included under cash and cash equivalents. The entity's income and operating cash flows are substantially independent of changes in market interest rates due to the short-term nature of interest-bearing assets.

Balances with banks and all call and current accounts attract interest at rates that vary with the South African prime rate. The entity generally adopts a policy of ensuring that its exposure to changes in interest rates is on floating rate basis.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

31. Risk management (continued)

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on financial instruments exposure to interest rates at reporting date.

The basis points increase or decreases, as detailed in the table below, were determined by management and represent management's assessment of the potential change in interest rates.

A positive number below indicates an increase in surplus. A negative number below indicates a decrease in surplus.

The sensitivity analysis shows reasonable expected changes in the interest rate, either an increase or decrease in the interest percentage. The equal but opposite percentage adjustment to the interest rate would result in an equal but opposite effect on surplus and therefore has not been separately disclosed below. The disclosure only indicates the effect of the change in interest rate on surplus.

Estimated increase in rates		
	100	100
Financial asset	**2023**	**2022**
Cash and bank balances	35 881 457	60 919 514

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) profit or loss by the amounts shown below. This analysis assumes that all other variable remains constant. The analysis is performed on the same basis for 31 March 2023.

	2023		2022	
Surplus or deficit	100 bp Increase	100 bp Decrease	100 bp Increase	100 bp Decrease
Surplus or deficit	358 814	(358 814)	609 195	(609 195)

Currency risk

The entity is exposed to currency risks due to foreign currency payments, however management has ensured that all foreign transactions are hedged where possible. The foreign currency transactions are monitored by ensuring that payments are made within the transaction date to avoid high fluctuations of the different currencies.

Price risk

The entity has limited market risk exposure for the year, the foreign exchange transactions during the current financial year having been limited to payments for services rendered which are paid using the ruling transaction rate on the date of payment.

32. Contingencies

The entity has reviewed the contingences as at 31 March 2023, the following are still in progress:
- The KZN Studio (Investment in Associates as per Note 9 of the financials) the matter is currently under litigation, the entity has filed for the liquidation of the KZN Studios, as at 31 March 2023 the entity had not received any response

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

32. Contingencies (continued)

from the involved entity. The transaction relates to R15million that was paid over for the KZN Studios. If matter is successful the recoveries thereof will result in monies being paid to the entity which gives rise to contingent asset.

- The entity has a litigation matter with Stolen the Film (Pty) Ltd for a project called Stolen, where the company was assisted on a Film Fund completion project.

33. Financial instruments disclosure

Categories of financial instruments

March 2023

Financial assets

	At fair value	At amortised cost	Total
Trade and other receivables from exchange transactions	182 590	-	182 590
Other receivables from non-exchange transactions	360 795	-	360 795
Cash and cash equivalents	-	35 881 457	35 881 457
	543 385	**35 881 457**	**36 424 842**

Financial liabilities

	At fair value	At amortised cost	At cost	Total
Trade and other payables from exchange transactions	658 309	902 906	4 909 541	6 467 756
Trade and other payables from non-exchange transactions	-	-	44 743	44 743
	658 309	**902 906**	**4 951 284**	**6 512 499**

2022

Financial assets

	At fair value	At amortised cost	Total
Trade and other receivables from exchange transactions	228 717	-	228 717
Other receivables from non-exchange transactions	195 712	-	195 712
Cash and cash equivalents	-	60 919 514	60 919 514
	424 429	**60 919 514**	**61 343 943**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

33. Financial instruments disclosure (continued)

Financial liabilities

	At fair value	At amortised cost	At cost	Total
Trade and other payables from exchange transactions	222 710	836 888	1 743 663	2 803 261
Taxes and transfers payable non-exchange	-	-	42 764	42 764
	222 710	**836 888**	**1 786 427**	**2 846 025**

34. Related parties

Relationships	
Members of Key Management	VO Senna
	NC Thanjekwayo
	JM Motsepe
Board members	BM Malange
	M Mzimela
	L Berning
	J Wills
	S Zondi
	L Ngcobo
Independent members	KP Simelane
	D Ramuedzi

Schedule 3C PFMA Listed Entity (KwaZulu-Natal Department of Economic Development Tourism and Environmental Affairs- EDTEA 100% Shareholdership)

Related party balances

Investment in Associate

	2023	2022
KZN Studio (Pty) Ltd	13 220 460	12 548 102

The investment has been impaired to reflect the latest bank statements balance based on advice from the National Treasury.

Related party transactions

Grants received

	2023	2022
Released to income from EDTEA	83 855 000	81 082 000

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

34. Related parties (continued)

Special grants	1 850 000	3 000 000
Compensation to Members and Key Management		
Key management remuneration	6 870 694	8 608 286
Board and Committee member`s fees	1 537 242	1 176 528

35. Irregular Expenditure and Fruitless and wasteful expenditure

Irregular Expenditure	441 717	214 677
Fruitless and wasteful expenditure	15 854	27 114
Closing balance	**457 571**	**241 791**

Criminal or disciplinary steps taken as a result of losses, irregular and fruitless and wasteful expenditure

Incident description 2022/23

There were no reported items that were as a result of criminal activities.

Three cases completed and officials disciplined.

Current period - 2022/23 irregular expenditure

An amount of R441,717.30 was for SCM process was not followed in procuring of SSA Trophies and Judges

The current year irregular expenditure was condoned by Treasury.

The current period under review fruitless and wasteful expenditure

An amount of R7,571.76 relates to the car hire.

An amount of R7,088.72 relates to ticket bought not utilised by the delegates.

The current year's fruitless and wasteful expenditure was recovered from the officials and a portion written off.

36. Funds to be surrendered

Cash and cash equivalents	35 881 457	60 919 514
Roll-overs	(35 881 457)	(60 919 514)
	-	-

There are no grants or funds to be surrendered in the period under review due to the KZNFilm having all its available fund being fully committed through contracts, and purchase orders.

37. Commitments

Authorised capital expenditure

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
37. Commitments (continued)		
Already contracted for but not provided for		
• Property, plant and equipment	-	203 430
Total capital commitments		
• Already contracted for but not provided for	-	203 430

There were no capital commitments during the period.

38. Operating lease

Minimum lease payments 2023

	>1-5 years	</= 1 year
Rental property of office space (ends 31 January 2024)	-	2 027 796
	-	**2 027 796**

Minimum lease payments 2022

	>1-5 years	</= 1 year
Rental property of office space (ended January 2023)	-	1 890 862
Rental Copier (10th floor - end September 2022)	-	13 156
Rental property of office space - extension	-	17 542
	-	**1 921 560**

39. Going concern

We draw attention to the fact that at 31 March 2023, the entity had an accumulated surplus of R42 677 134 and that the entity's total assets exceed its liabilities by R42 677 134.

Notwithstanding the merger the annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The management have reviewed the entity's cash flow forecast for the year to 31 March 2024 and, in the light of this review and the funding commitment by the Department of Economic Development Tourism & Environmental Affairs, they are satisfied that the entity has access to adequate resources to continue in operational existence for the foreseeable future.

The proposed merger of KZNFilm and TKZN is currently underway and is anticipated to be completed by 31 March 2024. Funding has nevertheless been approved for the KZNFilm ongoing operations for the MTEF period.

40. Events after the reporting date

No events after the reporting date that management is aware of.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

41. Actual operating expenditure versus budgeted operating expenditure

Refer to Statement of comparison of budget and actual amounts for the comparison of actual operating expenditure versus budgeted expenditure.

41.1 **Rendering of services** - There is no basis to form budget at the beginning of the financial year. These services are required by filmmaker's on occasional basis.

41.2 **Rental of facilities and equipment** - No material variance.

41.3 **Other income** - Other Income includes funds from MICT Seta as a result of the MOU between MICT Seta and KZNFilm. These funds were not received in full during 2022/23 financial year resulting in under collection in the account. These funds have been included in the adjusted budget for 2023/24 financial year.

41.4 **Interest received** - Interest is due to high bank balance.

41.5 **Government grants and subsidies** - No variance.

41.6 **Employee related costs** - The underspending in Employee Related costs is due to the delay in appointing various positions. These positions include Company Secretary, Executive Assistance to the COO, etc.

41.7 **Board and committee members' costs** - Underspending in Board and Committee Members Costs is due to the fact that invoices are delayed from the board members. Majority of invoices received late in the month of March and they will be paid in the month of April in 2023/24 financial year.

41.8 **Marketing and Projects** - The overspending in Marketing and Projects is due to Indaba hosted by KZNFilm in the month of March 2023. Expenditure for indaba was planned to be made in the beginning of 2023/24 financial year. Service providers delivered on all the milestones hence the invoices could not be held. Also, the international travel costs were higher than budget and the overspending was covered by line items with an underspending

41.9 **Audit fees** - The underspending in Audit fees is due to the Internal Audit that was committed but not finalised at yearend. Funds are committed and included in the rollovers to 2023/24 financial year.

41.10 **Depreciation and amortisation** - The KZNFilm does not budget for depreciation and amortisation as there is no cash outflow for this transaction.

41.11 **Finance costs** - N/A.

41.12 **Research and development** - The savings realised in research and development projects were as a result of projects costing that were less than what was anticipated.

41.13 **Repairs and Maintenance** - There is no retainer paid for repairs and maintenance on a monthly basis and repairs are only incurred when required or something needs maintenance. Therefore, the savings are realised in the repairs and maintenance as few repairs were required during the year under review.

41.14 **Production and development costs** - The underspending in the Production and Development Costs is due to the payment released according to the milestones achieved by the project and if the milestones are not achieved, no payment is released to the beneficiaries.

41.15 **Operating expenses:**

Printing and stationery - The printing of the Annual Performance Plan (APP) has not been finalised for printing pending proposed changes hence the underspending in the account. The APP to be finalised in the month of April 2023.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

Furthermore, procurement of stationery has been minimal during the 2022/23 financial year due to remote working.

Legal Fees - The nature of Legal Fees is catered for unforeseen circumstances that require legal opinion. KZNFilm does not pay monthly retainer for legal services hence the budget cannot be accurate versus with spending. Therefore, the underspending is due to the expenditure being less than what was anticipated in the 2022/23 budget.

Records Management - Records management has spent 45% against the budget of R312,800 resulting to an underspending of R172k. Underspending in Records Management is due to the fact that the actual quantities of records sent for scanning were less than what was planned.

Insurance - The underspending in insurance is due to the fact that the insurance was expected to be paid once off premium and later service provider resorted for monthly premiums. This resulted in an underspending in the account of R172.6k in the account.

Professional Fees / Services - Professional Fees / Services has spent R318.5k against an adjusted budget of R639.6k resulting in an underspending of R321.1k. This is due to Salary Benchmark and Change Management programme which were implemented in the Quarter 4 of the financial year. Both projects were not completed at year-end. Funds fully committed and will be included in the rollovers to 2023/24 financial year.

Location and Facilities - Savings in locations and facilities of R512k realised as a result of some of the services used by locations costed less than what was budgeted for. Savings realised were used to fund areas that required additional funding.

41.16 **Gain on disposal -** The KZNFilm does not budget for profit/ gain on disposal of assets as in most cases there is no cash outflow for this transaction.

41.17 **Capex** - The underspending is due to the fact that no major furniture has been acquired from the 2022/23 budget as a result of majority of employees working remotely following the approval of Remote Working policy

41.18 **Impairment loss on project** - The amount refers to Film Fund loan that was granted to Project Stolen, due to its non recoverability was impaired and this item was not budgeted for.

41.19 **Impairment reversal** - The amount refers to adjustment on the Investment in associates for the KZN Studios.

42. Deviation from supply chain management regulations

National Treasury Instruction Note 3 of 2021/22 states that the Accounting Officer may dispense with the official procurement process in certain circumstances, provided that the reasons for any deviations are recorded and reported at the next meeting of the board and include a note to the annual financial statements.

Deviation -2022/2023	<R500 000	>R500 000	Total
Events	300 000	-	300 000
Marketing and publications	302 551	-	302 551
IT costs	423 677	-	423 677
Advertising	391 170	-	391 170
Internships	265 875	-	265 875
	1 683 273	**-**	**1 683 273**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

42.1 Events

Service provider who rendered DFM Event which could not be sourced under normal SCM processes due to single source.

42.2 Marketing and publication amount relates to:

- Service provider who rendered professional services which could not be sourced under normal SCM processes, due to sole source.

42.3 IT Costs:

IT Services due to single sourcing by software companies.

42.4 Advertising

Service providers who rendered advertising services which could not be sourced under normal SCM processes.

42.5 Internships

Deviation it's for placing various interns in different Production Companies under ISD programs.

2021/2022 - Deviations	<R500 000	>R500 000	Total
Professional fees	207 271	-	207 271
Marketing and publications	350 000	-	350 000
IT costs	198 068	-	198 068
Advertising	323 007	-	323 007
	1 078 346	**-**	**1 078 346**

43. BBBEE Performance

Information on compliance with the B-BBEE Act is included in the annual report under the section titled B-BBEE Compliance Performance Information.

44. Change in accounting estimate

Asset classes that useful life has been assessed

Asset class	Carrying amount before adjustment	Carrying amount after adjustment	Net impact on depreciation/ amortisation
Furniture and fixtures	205 148	(251 843)	(46 695)
Office equipment	155 527	(155 779)	(252)
IT equipment	481 258	(504 549)	(23 291)
Leasehold improvements	394 517	(394 517)	-
Production and development equipment	-	10 500	(10 500)
Computer software, other	1 064	(35 524)	(34 460)
	1 237 514	**(1 352 712)**	**(115 198)**

The entity on a yearly basis does an assessment on its assets useful life, in line with the accounting policy on the useful life of the property plant and equipment and intangible assets. In the year under review the entity assessed the useful life of all of its assets, and there were assets that will be able to be used beyond the initial estimated useful lives. The property, plant and equipment and intangibles have specific useful lives, however after assessment of a number of assets were found to be still usable for an additional twelve months. This was further impacted by the budget contraints to dispose and new office to replace these assets.

As per GRAP 3.39 the change in accounting estimate was performed on the assets which were found to be in use even though the useful life had been reached. The carrying amount of such assets has been adjusted accordingly and depreciation revised on such assets.

The change in the accounting estimate resulted in an decrease in depreciation/ amortisation in the year under review by R115,198 and increase in future periods in depreciation/ amortisation of R115,198 (R80,738 and R34,460 respectively).

45. Expenditure incurred to repair and maintain property, plant and equipment

Leasehold Improvement	-	103 761

GRAP 17 par 88 was applied in the disclosure to report on expenditure incurred to repair and maintain property plant and equipment.

The entity's property plant and equipment consist of:

- Furniture and fittings
- Computer equipment
- Leasehold improvements
- Production equipment
- Office Equipment

The incurred repairs and maintenance expenditure were only to restore assets to their previous operating condition or to keep the assets to their current operating condition, there were no improvements made on the assets.

46. Prior period errors

Financial Instruments disclosure An error occurred during the previous financial year on the disclosure note of financial instruments as per Note 33.

Prior period errors identified during the year were corrected. The correction of the error(s) results in adjustments as follows:

Financial assets	**Disclosure previously reported**	**Correction of errors**	**Reclassifica-tion**	**Restated disclosure**
Prepayments	279 287	(279 287)	-	-
	279 287	**(279 287)**	**-**	**-**

Financial liabilities	**Disclosure previously reported**	**Correction of errors**	**Reclassifica-tion**	**Restated dis-closure**
Provision	2 101 939	(2 101 939)	**-**	**-**
	2 101 939	**(2 101 939)**	**-**	**-**

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